PRINCIPLES

OF

POLITICAL ECONOMY



POLITICAL ECONOMY

WITH

SOME OF THEIR APPLICATIONS TO SOCIAL PHILOSOPHY

BY

JOHN STUART MILL



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PREFACE.

THE appearance of a treatise like the present, on a subject on which so many works of merit already exist, may be thought to require some explanation

It might perhaps be sufficient to say, that no existing treatise on Political Economy contains the latest improvements which have been made in the theory of the subject. Many new ideas, and new applications of ideas, have been elicited by the discussions of the last few years, especially those on Currency, on Foreign Trade, and on the important topics connected more or less intimately with Colonization and there seems reason that the field of Political Economy should be re-surveyed in its whole extent, if only for the purpose of incorporating the results of these speculations, and bringing them into harmony with the principles previously laid down by the best thinkers on the subject

To supply, however, these deficiencies in former treatises bearing a similar title, is not the sole, or even the principal object which the author has in view. The design of the book is different from that of any treatise on Political Economy which has been produced in England since the work of Adam Smith.

The most characteristic quality of that work, and the one in which it most differs from some others which have equalled and even surpassed it as mere expositions of the general principles of the subject, is that it invariably associates the principles with their applications. This of itself implies a much wider range of ideas and of topics, than are included in Political Economy, considered as a branch of abstract speculation. For practical purposes, Political Economy is inseparably intertwined with many other branches of social philosophy. Except on matters of mere detail, there are perhaps no practical questions, even among those which approach nearest to the character of purely economical questions, which admit of being decided on economical premises alone. And it is because Adam Smith never loses sight of this truth, because, in his applications of Political Economy, he perpetually appeals to other and often far larger considerations than pure Political Economy affords—that he gives that well-grounded feeling of command over the

principles of the subject for purposes of practice, owing to which the "Wealth of Nations," alone among treatises on Political Economy, has not only been popular with general readers, but has impressed itself strongly on the minds of men of the world and of legislators

It appears to the present writer, that a work similar in its object and general conception to that of Adam Smith, but adapted to the more extended knowledge and improved ideas of the present age, is the kind of contribution which Political Economy at present requires. The "Wealth of Nations" is in many parts obsolete, and in all, imperfect Political Economy, properly so called, has grown up almost from infancy since the time of Adam Snuth, and the philosophy of society, from which practically that eminent thinker never separated his more peculiar theme, though still in a very early stage of its progress, has advanced many steps beyond the point at which he left it. No attempt, however, has yet been made to combine his practical mode of treating his subject with the increased knowledge since acquired of its theory, or to exhibit the economical phenomena of society in the relation in which they stand to the best social ideas of the present time, as he did, with such admirable success, in reference to the philosophy of his century

Such is the idea which the writer of the present work has kept before him. To succeed even partially in realizing it, would be a sufficiently useful achievement, to induce him to incur willingly all the chances of failure. It is requisite, however, to add, that although his object is practical, and, as far as the nature of the subject admits, popular, he has not attempted to purchase either of those advantages by the sacrifice of strict scientific reasoning. Though he desires that his treatise should be more than a mere exposition of the abstract doctrines of Political Economy, he is also desirous that such an exposition should be found in it

The present edition is an exact transcript from the sixth, except that all extracts and most phrases in foreign languages have been translated into English, and a very small number of quotations, or parts of quotations, which appeared superfluous, have been struck out. A reprint of an old controversy with the "Quarterly Review" on the condition of landed property in France, which had been subjoined as an Appendix has been dispensed with.

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PRINCIPLE

or

POLITICAL ECONOMY.

PRELIMINARY REMARKS

In every department of human affairs, Practice long precedes Science systematic enquiry into the modes of action of the powers of nature, is the tardy product of a long course of efforts to use those powers for practical ends. The conception, accordingly, of Political Economy as a branch of science, is extremely modern, but the subject with which its enquiries are conversant has in all ages necessarily constituted one of the chief practical interests of mankind, and, in some, a most unduly engrossing one

That subject is Wealth. Writers on Political Economy profess to teach, or to investigate, the nature of Wealth, and the laws of its production and distribution including, directly or remotely, the operation of all the causes by which the condition of mankind, or of any society of human beings, in respect to this universal object of human desire, is made prosperous or the reverse Not that any treatise on Political Economy can discuss or even enumerate all these causes, but it undertakes to set forth as much as is known of the laws and principles ac-

Every one has a notion, sufficiently correct for common purposes, of what is meant by wealth. The enquiries which relate to it are in no danger of being confounded with those relating to any other of the great human in terests. All know that it is one thing to be rich, another thing to be enlightened, brave, or humane, that

cording to which they operate

the questions how a nation is made wealthy, and how it is made free, or virtuous, or emment in literature, in the fine arts, in arms, or in polity, are totally distinct enquiries things, indeed, are all indirectly con nected, and react upon one another ! A people has sometimes become free because it had first grown wealthy, or wealthy, because it had first become The creed and laws of a people act powerfully upon their economical condition, and this again, by its influence on their mental development and social relations, reacts upon their creed But though the subjects and laws are in very close contact, they are essentially different, and have never been supposed to be otherwise

It is no part of the design of this \$ treatise to aim at metaphysical nicety of definition, where the ideas suggested by a term are already as determinate as practical purposes require little as it might be expected that any mischievous confusion of ideas could take place on a subject so simple as the question, what is to be considered as wealth, it is matter of history that such confusion of ideas has existedthat theorists and practical politicians have been equally, and at one period universally, infected by it, and that for many generations it gave a thoroughly false direction to the policy of Europe I refer to the set of doctrines designated, since the time of Adam Smith, by the appellation of the Mercantile System

В

While this system prevailed, it was can ever have appeared credible cording to the doctrines then prova money or bullion in a country added to its wealth. Whatever sent the precious metals out of a country impovenshed If a country possessed no gold or silver mines, the only industry br which it could be enriched was foreign trade, being the only one which could bring in money which was supposed to send out more Any branch of trade money than it brought in however ample and valuable might be the returns in another shape, was looked upon as a losing trade | xportation of goods was favoured and encouraged (even by means extremely onerous to the real resources of the country), because the exported goods being shpu lated to be paid for in money, it was hoped that the returns would actually be made in gold and silver tion of anything, other than the preci ous metals, was regarded as a loss to the nation of the whole price of the things imported, unless they were brought in to be re-exported at a profit, or unless, being the inaternals or in struments of some industry practised in the country itself, they gave the power of producing exportable articles at smaller cost, and thereby offert a larger exportation of the world was loved o The comstruggle among nation, such could draw to itself the largest share of the gold and silver in existence, and in this competition no nation could gain anything, except by making others lose as m ph, or, at the least, prevent It often happens that the universal

belief of one age of mankind-a belief from which no one was, nor without an extraordinary effort of genius and

assumed, either expressly or tacitly, in has so happened with the doctrine that the whole policy of nations, that wealth money is synonymous with wealth consisted solely of money, or of the Tho conceit seems too preposterous to precious metals, which, when not already be thought of as a remains opinion in the state of money, are capable of looks like one of the crude fancies of lent, whatever tended to heap up no one feel confident that he would childhood, instantly corrected by a have escaped the delusion if he hal lived at the time when it provailed All the associations engundered by common life, and by the ordinary course of business, concurred in promoting it So long as those associations were the only medium through which the subject was looked at, what we now think so gross an absumbly seemed a truism Once questioned, indeed, it was doomed, but no one was likely to think of questioning it whore mind had not become familiar with certain modes of stating and of contemplating econo mical phenomena, which have only found their way into the general understanding through the influence of Adam Smith and of his expositors

In common discourse, wealth is always expressed in molley hearing in ask how neh a person 15, you are answered that he has so many thousand pounds All income and expenditure, all gains and losees, everything by which one becomes richer or poorer, are reckoned as the coming in or going in the inventory of a person's fortune It is true that are included, not only the money in his actual po ession, or due to him, but all other articles of value however onter, not in their own characte, out in virtue of the sums of mon) which they would sell for, and if tuey would sell for less, their owner is reputed less rich, though the things themselves are precisely the same is true, also, that people do not grow nch by Jeeping their money unused and that they must be willing to courage, could at that time be free.

becomes to a subsequent age so palpable an absurdity, that the only difficulty last

But a rayson who bays goods spend in order to gain Those who enrich themselves by commerce, do so ble an absurdity, that the only difficulty last But a person who buys goods and to sail then is to imagine how such a thing | for purposes of gain does so to soll

them again for money, and in the ex pectation of receiving more money than he laid out to get money, therefore, reems even to the person himself the ultimate end of the whole. It often bappens that he is not paid in money, but in comething else, having bought goods to a value equivalent, which are set off against those he rold But he accepted these at a money valuation, and in the belief that they would bring in more money eventually than the price at which they were made A dealer doing a large over to him amount of business, and turning over his capital rapidly, has but a small portion of it in ready money at any one But he only feels it valuable to him as it is convertible into monor bo considers no transaction closed until the net result is either paid or credited и попеч when he retires from busi ness it is into money that he converts the whole, and not until then does he deem himself to have realized his gains just as if money were the only wealth, and money's worth were only the means of attaining it. If it be now asked for what end morey is desirable, unless to supply the wants or pleasures of oneself or others, the champion of the system would not be at all embarrassed by the question. True, he would say, these are the uses of wealth, and very landable uses while confined to domestic commodities, because in that case, by exactly the amount which you expend, you enrich others of your Spend your wealth, if countrymen vou please, in whatever indulgences you have a taste for, but your wealth is not the indulgences, it is the sum of money, or the annual money income, with which you purchase them While there were so many things to

while there were so many things to render the assumption which is the basis of the mercantile system plausible, there is also some small foundation in reason, though a very insufficient one, for the distinction which that system so emphatically draws between money and every other kind of valuable possession. We really, and justly, look upon a person as possessing the advantages of wealth, not in proportion to the useful and agreeable things of

which he is in the actual enjoyment, but to his command over the general fund of things useful and agreeable, the power he possesses of providing for any evigency, or obtaining any object of desire Now, money is itself that power, while all other things, in a civilized state, seem to confer it only by their capacity of being exchanged To possess any other arti for money cle of wealth, is to possess that par ticular thing, and nothing else if you wish for another thing instead of it, you have first to sell it, or to submit to the inconvenience and delay (if not the impossibility) of finding some one who has what you want, and is willing to barter it for what you have with money you are at once able to buy whatever things are for sale one whose fortune is in money, or in things rapidly convertible into it, seems both to himself and others to possess not any one thing, but all the things which the money places it at his option to purchase The greatest part of the utility of wealth, beyond a very mode rate quantity, is not the indulgences it procures, but the reserved power which its possessor holds in his hands of attaining purposes generally, and this, power no other kind of wealth confers so immediately or so certainly as It is the only form of wealth which is not merely applicable to some one use, but can be turned at once to any use And this distinction was the more likely to make an impression upon governments, as it is one of con siderable importance to them lized government derives comparatively httle advantage from taxes unless it can collect them in money and if it has large or sudden payments to make, especially payments in foreign countries for wars or subsidies, either for the sake of conquering or of not being conquered (the two chief objects of national policy until a late period), scarcely any medium of payment except money will serve the purpose All these causes conspire to make both individuals and estimating their governments, in means, attach almost ovclusive im portance to money, either in esse or in posse, and look upon all other things!

(when viewed as part of their resources) scarcely otherwise than as the remote means of obtaining that which alons, when obtained, affords the indefinite, and at the same time instantaneous, command over objects of desire, which best answers to the idea of wealth

An absurdity, however, does not cease to be an absurdity when we have discovered what were the appearances which made it plaurible, and the Mer cantile Theory could not ful to be seen in its true character when men began. even in an imperfect manner, to explore into the foundations of things, and seck their premises from elementary facts. and not from the forms and phrases of common discourse. So soon as ther ! asked themselves what is really meant by money-what it is in its essential characters, and the precise nature of the functions it performs—they reflected 1 that money, like other things, is only a desirable possession on account of its uses, and that these, instead of being, as they delusively appear, indefinite, are of a strictly defined and limited description, namely, to facilitate the distribution of the produce of industry laccording to the convenience of those among whom it is shared. Turther consideration showed that the uses of money are in no respect promoted by increasing the quantity which exists and circulates in a country, the service which it performs being as well rendered by a small as by a large aggregate Two million quarters of corn amount will not feed so many person - four millions, but two millions or pounds sterling will carry on us much traffic, will buy and sell as many commodities as four milhons, though at lower norm Money, as money, sati 'es nal prices no want, its worth to any one, consists in its being a convenient shape in a high to receive his incomings of all sorts, which incomings he afterwards, at the times which suit him best, converts into the forms in which they can be useful to him. Great as the difference would be between a country with money, and a country altogether without it, it would be only one of convenience, a saving of time and trouble, like grinding by water power instead of by hand, or (to use

Adam Simila illustration) like the benefit derived from roads and to me take me a far me title, is the same serior error as to mustake the limitation to son his second way of fat time to son his second back for the home and lands their select.

Money, lem, the meets neat of act important public and payate parts is nightly no niel as realth. by who he serves and hol everything elman purp or, and which notice dece not affect or dustrusts, as wealth ale To be wealthy in to have a large stocks of useful articles, or the means of p s ! charing them I verything from theret. fore a part of wealth which ties a power of panissen. for which xarthing and ful or agreeal to would be given in Things for shiel nothing! exchance could be obtain I in exchange, how ever neefal or newscarr they nor be are not wealth in the same in which the term is used in Political Economy Air, for example though the most alsolute of nec sames bears no price it the market, because it can be obtained gratuitously to accomulate a stock of it would vield no profit or advantage to any one, and the laws of its produc tion and distribute n are the r bject of a very different study from Political I conomy But though air is not wealth, mankind are much richer by of taining it gratis, since the time and labour which would otherwise be rejuired for supplying the in pressing of all nante can be devoted to other purposes is possil 'a to imagine circumstances in what air would be a part of venttle li it became ou tomary to secourn lon, m places where the air does not natur ally penetrate, as in diving bells sink in the sea, a supply of air artificially furnished would, like nater conveyed into houses, bear a price and if from any revolution in nature the atmosphere became too scanty for the consumption, or could be monopolized, air might acquire a very high marketable value. In such a case, the possession of it, beyond his own wants, would be, to its owner, wealth, and the general wealth of mankind might at first sight appear to be mereased, by what would be so great a calamity to them The error would he in not considering, that however nch the possessor of air might become at the expense of the rest of the com munity, all persons else would be poorer by all that they were compelled to pay for what they had before obtained with

out payment This leads to an important distinction in the meaning of the word wealth, as applied to the possessions of an individual, and to those of a nation, or of In the wealth of mankind, mankind nothing is included which does not of itself answer some purpose of utility or To an individual, anything is wealth, which, though useless in itself, enables him to claim from others a part of their stock of things useful or Take, for instance, a mortgage of a thousand pounds on a landed This is wealth to the person to whom it brings in a revenue, and who could perhaps sell it in the market for the full amount of the debt it is not wealth to the country, if the engagement were annulled, the country would be neither poorer nor richer. The mortgagee would have lost a thousand pounds, and the owner of the land would Speaking nationally. have gained it the mortgage was not itself wealth, but merely gave A a claim to a portion of the wealth of B It was wealth to A, and wealth which he could transfer to a third person, but what he so transferred was in fact a joint ownership, to the extent of a thousand pounds, in the land of which B was nominally the sole proprietor The position of fundholders, or owners of the public debt of a country, is similar They are mortgagees on the general wealth of the The cancelling of the debt would be no destruction of wealth, but a transfer of it a wrongful abstraction of wealth from certain members of the community, for the profit of the government, or of the tax payers property therefore cannot be counted as part of the national wealth

is not always borne in mind by the

example, in estimates of the gross in-

come of the country, founded on the

proceeds of the income-tax, incomes

derived from the funds are not always

dealers in statistical calculations

excluded though the tax-payers are assessed on their whole nominal income without being permitted to deduct from it the portion levied from them in taxa tion to form the income of the fund holder In this calculation, therefore, one portion of the general income of the country is counted twice over, and the aggregate amount made to appear greater than it is by almost thirty mil lions A country, however, may include in its wealth all stock held by its citi zens in the funds of foreign countries. and other debts due to them from But even this is only wealth to them by being a part ownership in wealth held by others It forms no part of the collective wealth of the hu It is an element in the dis tribution, but not in the composition, of the general wealth

It has been proposed to define wealth as signifying "instruments" meaning not tools and machinery alone, but the whole accumulation possessed by individuals or communities, of means for the attainment of their ends field is an instrument, because it is a means to the attainment of corn. Corn is an instrument, being a means to the attainment of flour Flour is an instru ment, being a means to the attainment of bread. Bread is an instrument, as a means to the satisfaction of hunger and to the support of life Here we at last arrive at things which are not in struments, being desired on their own account, and not as mere means to something beyond. This view of the subject is philosophically correct, or rather, this mode of expression may be usefully employed along with others, not as conveying a different view of the subject from the common one, but as giving more distinctness and reality to the common view It departs, however, too widely from the custom of language, to be likely to obtain general acceptance, or to be of use for any other purpose than that of occasional illustration

Another example of a possession which is wealth to the person holding it, but not wealth to the nation, or to mankind, is slaves It is by a strange confusion of ideas that slave property (as it is termed) is counted, at so much



per head, in an estimate of the wealth, or of the capital, of the country which tolerates the existence of such property If a human being, considered as an object possessing productive powers, is part of the national wealth when his powers are owned by another man, he cannot be less a part of it when they are owned by himself Whatever he is worth to his master is so much property abstracted from himself, and its abstraction cannot augment the possessions of the two together, or of the country to which they both belong propriety of classification, however, the people of a country are not to be counted in its wealth. They are that for the sake of which its wealth exists term wealth is wanted to denote the desirable objects which they possess, not inclusive of, but in contradictinction to, their own persons They are not wealth to themselves, though they are means of acquiring it

Wealth, then, may be defined, all useful or agreeable things which possess exchangeable value, or, in other words, all useful or agreeable things except those which can be obtained, in the quantity desired, without labour or sa crifice To this definition, the only objection seems to be, that it leaves in uncertainty a question which has been much debated—whether what are called immaterial products are to be considered as wealth whether, for example, the skill of a workman, or any other natural or acquired power of body or mind, shall be called wealth, or it a que con, not of very greet importante, and which so far it requiring discussion, will be more conveniently considered in another place "

These things having been premised respecting wealth, we shall next turn our after in to the extraordinary differences i respect to it, which exist between altierent ages of the world, differences both in the quantity of wealth, and if the kind of it, as well as in the manier in which the wealth existing in the community is shared among its members

I here is, perhaps, no people or com Infra, book i chap iii.

munity, now existing, which subsists entirely on the spontaneous produce of vegetation But many tribes still live exclusively, or almost exclusively, on wild animals, the produce of hunting or Their clothing is skins, their fishing habitations huts rudely formed of logs or boughs of trees, and abandoned at The food they use an hour's notice being little susceptible of storing up, they have no accumulation of it, and are often exposed to great privations The wealth of such a community con sists solely of the skins they wear, a few ornaments, the taste for which exists among most savages, some rude utensils, the weapons with which they kill their game, or fight against hostile competitors for the means of subsistence, canoes for crossing rivers and lakes, or fishing in the sea, and perhaps some turs or other productions of the wilder ness, collected to be exchanged with civilized people for blankets, brandy, and tobacco, of which foreign produce also there may be some unconsumed portion in store. To this scanty in ventory of material wealth, ought to be added their land, an instrument of production of which they make slender use, compared with more settled communities, but which is still the source of their subsistence, and which has a marketable value if there be any agri cultural community in the neighbourhood requiring more land than it pos-This is the state of greatest poverty in which any entire community of human beings is known to exist, though there are much richer commu nities in which portions of the inhabitants are in a condition, as to subsist ence and comfort, as little enviable as of the savage

The first great advance beyond this state consists in the domestication of the more useful animals, giving rise to the pastoral or nomad state, in which mankind do not live on the produce of hunting, but on milk and its products, and on the annual increase of flocks and herds. This condition is not only more desirable in itself, but more conducive to further progress, and a much more considerable amount of wealth is accumulated under it. So long as the

rast returnly returns of the earth are not yet so fully occupied as to be consemid more rapidly than they are spontaneously reproduced, a large and constantly prerenging stock of subject ence may be collected and pres rved, with little other inbour than that of grandiug the cattle from the attacks of wild leasts, and from the force or wiles of predatory men. Large flecks and nords, there's re, are in time pos assed, ts retire and thrifty individuals through their own exertions, and by the leads of families and tribes through the ex ertions of those who are connected with a them by allegiance. There thus erises, ! in the shipherd state, in quality of much appearance of truth, to the shepexists in the savage state, where no one has much more than absolute ne exerance, and in case of deficiency must share even these with his tribe. In the nomad state, some have an abundance (of cattle, sufficient for the food of a multitule, while others have not contrived ! to appropriate and retain any super fluty, or perhaps any cattle at all. But ! subsistence has ceased to be precarious, Fince the more successful have no other use which they can make of their surplus than to teed the less fortunate, while every increase in the number of persons connected with them is an increase both of security and of powerand thus they are enabled to divest themselves of all lal our except that of government and superintendence, and acquire dependents to fight for them in war and to serve them in peace of the sentures of this state of society is, that a part of the community, and in some degree even the whole of it, nossess leisure. Only a portion of time is required for procuring food, and the remainder is not engrossed by anxious thought for the morrow, or necessary repose from muscular activity n life is highly favourable to the growth of new wants, and opens a possibility of their gratification A desire arises for better clothing, utensils, and implements, than the savage state contents itself with, and the surplus food ren ders it practicable to devote to these purposes the exertions of a part of the In all or most nomad commu

mues we find domestic manufactures of a coarse, and in some, of a fine kind There is ample evidence that while those parts of the world which have been the emdle of modern civilization nero still generally in the nomad state, considerable skill had been attained in spinning, wearing, and dyeing woollen i arments, in the preparation of leather, and in what appears a still more difficult invention, that of working in metals Even speculative seminee took its first beginnings from the leisure character istic of this stage of social progress The earliest astronomical observations are attributed, by a tradition which has

From this state of society to the agricultural the transition is not indeed easy, (for no great change in the habits of mankind is otherwise than difficult, and in general either painful or very slow,) but it lies in what may be called the spontaneous course of events. The growth of the population of men and cattle began in time to press upon the earth's capabilities of yielding natural pasinro and this cause doubtless produced the first tilling of the ground, just as at a later period the same cruse made the superfluous bordes of the nations which had remained nomad themselves upon those precipitate which had already become agricul tural, until, these having become suf ficiently powerful to repel such inroads, the invading nations, deprived of this outlet, were obliged also to become agricultural communities

But after this great step had been completed, the subsequent progress of mankind seems by no means to have been so rapid (cortain rare combina tions of circumstances excepted) as might perhaps have been anticipated The quantity of human food which the) earth is capable of returning even to the most wretched system of agricul ture, so much exceeds what could be obtained in the purely pastoral state, that a great increase of population is But this addi invariably the result tional food is only obtained by a great; additional amount of labour, so that? not only an agricultural has much less

leisure than a pastoral population, but, with the imperfect tools and unekilful processes which are for a long time employed (and which over the greater part of the earth have not even vet unless in unusually advantageous cir ! cumstances of climate and roil, produce so great a surplus of food beyond their necessary consumption, as to support any large class of labourers engaged in other departments of industry surplus, too, whether small or great, is usually torn from the producers either by the government to which they are subject, or by individuals, who by superior force, or by availing them selves of religious or traditional feel ings of subordination, have e tablished themselves as lords of the soil

The first of these modes of appropriation, by the government, is characteristic of the extensive monarchies which from a time beyond historical record have occupied the plains of The government, in those coun tries, though varying in its qualities according to the accidents of personal character, seldom leaves much to the cultivators beyond mere necessaries, and often strips them so bare even of these, that it finds itself obliged, after taking all they have, to lend part of it back to those from whom it has been taken, morder to provide them with seed, and enable them to support life until an Under the régime in other harvest question, though the bulk of the popu lation are ill provided for, the govern ment, by collecting small contributions from great numbers, is enabled, with any tolerable management, to make a show of riches quite out of proportion to the general condition of the society, and hence the inveterate impression, of which Europeans have only at a late period been disabused, concerning the great opulence of Oriental nations In this wealth, without reckoning the large portion which adheres to the hands employed in collecting it, many persons of course participate, besides the immediate household of the sove reign. A large part is distributed emong the various functionaries of go-

semment, and arrong the objects of the severeign's favour or captice. A part is occasionally employed in works of public utility The tanks, wells, and canals for irrigation, without which been abandoned), agriculturists do not, I in many tropical climates cultivation could hardly be carried on bankments which confine the rivers, the barars for dealers, and the scraees for travellers, none of which could have been minde by the aranty means in the possession of the e using them, owe their existence to the liberality and enlightened self-interest of the letter order of princes, or to the benevolence or estentation of here and there a rich individual, whose fortune if traced to its source, is always found to liave been drawn immediately or remotely from the public revenue, most frequently by a direct grant of a portion of it from the sovereign

> The ruler of a society of this descrip tion, after providing largely for his own support, and that of all persons in whom he feels an intens' and after maintaining as many roldiers as be thinks needful for his security or his state, has a disposable residue, which he is glad to exchange for articles of luxury suitable to his disposition have also the class of persons who have been enriched by his favour, or by handling the public revenues mand thus arises for elaborate and coatly manufactured articles, adapted to a narrow but a wealthy market demand is often supplied almost ex clusively by the merchants of more advanced communities, but often also raises up in the country itself a class of artificers, by whom certain fabrics are carried to as high excellence as can be given by patience, quickness of perception and observation, and manual dexterity, without any con siderable knowledge of the properties of objects such as some of the cotton fabrics of India These artificers are fed by the surplus food which has been taken by the government and its agents as their share of the produce So literally is this the case, that in some countries the workman, instead of taking the work home, and being

paid for it after it is finished, proceeds ! with his tools to his customer's house. and is there subsisted until the work is complete The insecurity, however, of all possessions in this state of society. induces even the richest purchasers to give a preference to such articles as, being of an imperishable nature, and containing great value in small bulk, are adapted for being concealed or car ned off Gold and jewels, therefore, constitute a large proportion of the wealth of these nations, and many a rich Asiatic carries nearly his whole fortune on his person, or on those of the women of his harem No one, except the monarch, thinks of invest ing his wealth in a manner not susceptible of removal He, indeed, if he feels safe on his throne, and reasonably secure of transmitting it to his descen dants, sometimes indulges a taste for durable edifices, and produces the Pyramids, or the Tai Mehal and the Mausoleum at Schundra The rude manufactures destined for the wants of the cultivators are worked up by vil age artisans, who are remunerated by land given to them rent-free to cultivate, or by fees paid to them in kind from such share of the crop as is left to the villagers by the government This state of society, however, is not destitute of a mercantile class, com posed of two divisions, grain dealers and money dealers. The grain dealers. do not usually buy grain from the producers, but from the agents of govern ment, who, receiving the revenue in kind, are glad to devolve upon others the business of conveying it to the places where the prince, his chief civil and military officers, the bulk of his troops, and the artisans who supply the wants of these various persons, are The money dealers lend assembled to the unfortunate cultivators, when runed by bad seasons or fiscal exac tions, the means of supporting life and continuing their cultivation, and are repaid with enormous interest at the next harvest or, on a larger scale, they lend to the government, or to those to whom it has granted a portion of the revenue, and are indemnified by

assignments on the revenue collectors, or by having certain districts put into their possession, that they may pay them selves from the revenues, to enable them to do which, a great portion of the powers of government are usually made over simultaneously, to be exer cised by them until either the districts are redeemed, or their receipts have liquidated the debt. Thus, the commercial operations of both these classes of dealers take place principally upon that part of the produce of the country which forms the revenue of the govern ment From that revenue their capital is periodically replaced with a profit, and that is also the source from which their original funds have almost always been derived. Such, in its general features, is the economical condition of most of the countries of Asia, as it has been from beyond the commencement of authentic history, and is still, wher ever not disturbed by foreign influ ences

In the agricultural communities of ancient Europe whose early condition is best known to us, the course of things was different. These, at their origin, were mostly small town-commu nities, at the first plantation of which, in an unoccupied country, or in one from which the former inhabitants had been expelled, the land which was taken possession of was regularly divided, in equal or in graduated allotments, among the families composing the community In some cases, in stead of a town there was a confedera tion of towns, occupied by people of the same reputed race, and who were supposed to have settled in the country about the same time Each family produced its own food and the mate rials of its clothing, which were worked up within itself, usually by the women of the family, into the coarse fabrics with which the age was contented, Taxes there were none, as there were either no paid officers of government, or if there were, their payment had been provided for by a reserved portion of land, cultivated by slaves on account of the state, and the army consisted The whole of the body of citizens

produce of the soil, therefore, belonged, without deduction, to the family which So long as the progress cultivated it of events permitted this disposition of property to last, the state of society was, for the majority of the free culti vators, probably not an undesirable one, and under it, in some cases, the advance of mankind in intellectual culture was extraordinarily rapid and This more especially happened where, along with advantageous circumstances of race and climate, and no doubt with many favourable acci dents of which all trace is now lost, was combined the advantage of a position on the shores of a great inland sea, the other coasts of which were already occupied by settled commu The knowledge which in such a position was acquired of foreign productions, and the easy access of foreign ideas and inventions, made the chain of routine, usually so strong in a rude people, hang loosely on these commu To speak only of their industrial development, they early acquired variety of wants and desires, which stimulated them to extract from their own soil the utmost which they knew how to make it yield, and when their soil was sterile, or after they had reached the limit of its capacity, they often became traders, and bought up the productions of foreign countries, to sell them in other countries with a profit

The duration, however, of this state of things was from the first precarious These little communities lived in a state of almost perpetual war this there were many causes ruder and purely agricultural commu nities a frequent cause was the merc pressure of their increasing population upon their limited land, aggravated as that pressure so often was by deficient harvests in the rude state of their agn culture, and depending as they did for food upon a very small extent of coun On these occasions, the commu inity often emigrated in a body, or sent forth a swarm of its youth, to seek, sword in hand, for some less warlike people, who could be expelled from their

slaves for the benefit of their despoilers What the less advanced tribes did ; from necessity, the more prosperous' did from ambition and the military? and after a time the whole of spirit these city-communities were either conquerors or conquered In some cases, the conquering state contented itself with imposing a tribute on the anguished who being, in considera tion of that burden, freed from the ex pense and trouble of their own military and naval protection, might enjoy under it a considerable share of economical prosperity, while the ascendant community obtained a surplus wealth, available for purposes of collective luxury or magnificence From such a surplus the Parthenon and the Propylea were built, the sculptures of Pheidias paid for, and the festivals celebrated, for which Æschvius, Sophocles, Euripides, and Aristophanes com posed their dramas But this state of political relations, most useful, while it lasted, to the progress and ultimate interest of mankind, had not the ele ments of durability A small conquer ing community which does not incorporate its conquests, always ends by being conquered Universal dominion, therefore, at last rested with the people who practised this art—with the Romans, who, whatever were their other devices, always either began or ended by taking a great part of the land to enrich their own lending citi zens, and by adopting into the govern ing body the principal possessors of the remainder It is unnecessary to dwell on the melancholy economical history of the Roman empire When in equality of wealth once commences, in a community not constantly engaged in repairing by industry the injuries of fortune, its advances are gigantic, the great masses of wealth swallow up the smaller The Roman empire ulti mately became covered with the vast landed possessions of a comparatively few families, for whose luxury, and still more for whose estentation, the most costly products were raised, while the cultivators of the soil were slaves, or small tenants in a nearly servile land, or detained to cultivate it as condition. From this time the wealth of the empire progressively declined. In the beginning, the public revenues, are I the reconces of rich in lividuals, sufficed at least to cover. Italy with splendid edifies, public and private but at length so dwindled under the energyting influences of imagovernment, that what remains I was not even sufficient to keep these cathers from decay. The strength and inches of the civilized world became inadequate to risk head activity the notional population which skirted its notional population which skirted its notion in frontier. They overrang the energy, and a different order of things surceeded.

In the raw frame in which I trop on excets was now cast, the population! of each country may be considered as [corny d, in rangial proportions, of two distinct influes or rices, the conquerors and the conquered—the first the proprieters of the lend, the latter the Billing of it. These tillers were allowed to except the land on conditions which, Irang the product of force, were always onerors, but seldom to the extent of abmute slavery Already, in the later times of the Roman empire, predial thivery had extensively transformed ita if into a kind of terfdom—the coloni of the Romans were rather villeing than actual slaves and the meapscite and distaste of the barbarian conquerors for personally superintending industrial occupations, left no alternative but to allow to the cultivators, as an incentive to exertion, some real interest in the If, for example, they were com pelled to labour, three days in the week, for their superior, the produce of the remaining days was their own they were required to supply the pro-visions of various sorts, ordinarily needed for the consumption of the castle, and were often subject to requisitions in execus, vet after supplying these demands they were suf tered to dispose at their will of whatever additional produce they could Under this system during the Middle Ages it was not impossible, no more than in modern Russia (where, up to the recent measure of emancipation, the same system still essentially prevailed) for serfs to acquire property, and in fact, their accumulations are the

primitive source of the wealth of modern I urope

In that age of violence and disorder, the first use made by a serf of any small § provision which he had been able to i accumulate, was to buy lus freedom and vithdraw himself to some town or fortified village, which had remained undestroyed from the time of the Ro man dominion, or, without buying his freedom, to abscond thither In that place of refuge, surrounded by others of bis own class, he attempted to live, so cured in some measure from the out riges and exactions of the warmer easte. by his own prowess and that of his fel lows These emancipated earls mortly became artificers, and lived by ex changing the produce of their industry for the surplus food and material which the soil yielded to its feudal proprietors This gave rise to a sort of European counterpart of the economical condition of Amatic countries, except that, in hen of a single monarch and a fluctua ting body of favourites and employ(s, there was a numerous and in a consider able degree fixed class of great land holders, exhibiting far less splendour, because individually disposing of a much smaller surplus produce, and for a long time expending the chief part of it in maintaining the body of retainers whom the warlike habits of society, and the little protection afforded by govern ment, rendered indispensable to their safety The greater stability, the fixity of personal position, which this state of society afforded, in comparison with the Asiatic polity to which it economi cally corresponded, was one main rea son why it was also found more favour able to improvement From this time the economical advancement of society has not been further interrupted. curity of person and property grew slowly, but steadily, the arts of life made constant progress, plunder ceased to be the principal source of accumula tion, and feudal Europe ripened into commercial and manufacturing Europe In the latter part of the Middle Ages, the towns of Italy and Flanders, the free cities of Germany, and some towns of France and England, contained a large and energetic population of arti

sans, and many rich burghers, whose wealth had been acquired by manufacturne industry, or by trading in the produce of such industry The Com mons of England, the Tiers-Etat of France, the bourgeoisie of the Conti nent generally, are the descendants of As these were a saving this class class, while the posterity of the feudal anstocracy were a squandering class. the former by degrees substituted them selves for the latter as the owners of n great proportion of the land natural tendency was in some cases retarded by laws contrived for the pur pose of detaining the land in the fami hes of its existing possessors, in other cases accelerated by political revolu-Gradually, though more slowly, the immediate cultivators of the soil, in all the more civilized countries, ceased to be in a servile or semi servile state though the legal position, as well as the economical condition attained by them, vary extremely in the different nations of Europe, and in the great communities which have been founded beyond the Atlantic by the descendants of Europeans

The world now contains several extensive regions, provided with the vanous ingredients of wealth in a degree of abundance of which former ages had not even the idea Without compulsory 'Inbour, an enormous mass of food is annually extracted from the soil, and , maintains, besides the actual producers, an equal, sometimes a greater number of labourers, occupied in producing conveniences and luxuries of innumerable kinds, or intransporting them from place to place, also a multitude of perrons employed in directing and super intending these various labours, and over and above all these, a class more numerous than in the most luxurious ancient societies, of persons whose occupations are of a kind not directly productive, and of persons who have no occupation at all The food thus raised, supports a far larger population than had ever existed (at least in the same regions) on an equal space of ground, and supports them with certainty, exempt from those periodically

recurring famines so abundant in the early history of Europe, and in Oriental countries even now not unfrequent. Besides this great increase in the quantity of food, it has greatly improved in quality and variety, while conveniences; and luxuries, other than food, are no longer limited to a small and opulent class, but descend, in great abundance through many widening strata in so-The collective resources of one ciety of these communities, when it chooses to put them forth for any unexpected purpose, its ability to maintain fleets and armies, to execute public works. either useful or ornamental, to perform national acts of beneficence like the ransom of the West India slaves, to found colonies, to have its people taught, to do anything in short which requires expense, and to do it with no sacrifice of the necessaries or even the substantial comforts of its inhabitants. are such as the world never saw before

But in all these particulars, characteristic of the modern industrial communities, those communities differ widely from one another abounding in wealth as compared with former ages, they do so in very different degrees. Even of the countries which are justly accounted the richest, some have made a more complete use of their productive resources, and have obtained relatively to their territorial extent, (much larger produce, than others, no do they differ only in amount of wealth but also in the rapidity of its increase The diversities in the distribution or wealth are still greater than in the production There are great differences in the condition of the poorest class in different countries, and in the proper tional numbers and opulence of the classes which are above the poorest. The very nature and designation of the classes who originally share among them the produce of the soil, vary not a little in different places. In some, the landowners are a class in them selves, almost entirely separate from the classes engaged in industry others, the proprietor of the land is almost universally its cultivator, over

ing the plough, and often himself hold Where the proprietor himself does not cultivate, there is sometimes, between him and the labourer, an in termediate agency, that of the farmer, who advances the subastence of the labourers, supplies the instruments of production, and receives, after paying a rent to the landowner, all the proin other cases, the landlord, his paid agents, and the labourers, are the only sharers Manufactures, again, are sometimes carried on by scattered individuals, who own or hire the tools or machinery they require, and employ little labour besides that of their own family, in other cases, by large num bers working together in one building, with expensive and complex machinery owned by rich manufacturers same difference exists in the operations of trade The wholesale operations in deed are everywhere carried on by large capitals, where such exist, but the retail dealings, which collectively occupy a very great amount of capital, are sometimes conducted in small shops, chiefly by the personal exertions of the dealers themselves, with their families, and perhaps an apprentice or two, and sometimes in large establishments, of which the funds are supplied by a wealthy individual or association, and the agency is that of numerous salaried shopmen or shopwomen Besides these differences in the economical phenomena presented by different parts of what is usually called the civilized world, all those earner states which we previously passed in review, have continued in some part or other of the world, down to our own time ing communities still exist in America, nomadic in Arabia and the steppes of Northern Asia, Oriental society is in essentials what it has always been, the great empire of Russia is even now, in many respects, the scarcely modified image of feudal Europe Livery one of the great types of human society, down to that of the Esquimaux or Patagomans, is still extant

These remarkable differences in the state of different portions of the human race, with regard to the production and

distribution of wealth, must, like all other phenomena, depend on causes And it is not a sufficient explanation to ascribe them exclusively to the de grees of knowledge, possessed at dif ferent times and places, of the laws of nature and the physical arts of life Many other causes co-operate, and that very progress and unequal dis tribution of physical knowledge, are partly the effects, as well as partly the causes, of the state of the production and distribution of wealth

In so far as the economical condition of nations turns upon the state of phy sical knowledge, it is a subject for the physical sciences, and the arts founded But in so far as the causes on them are moral or psychological, dependent on institutions and social relations, or on the principles of human nature, their investigation belongs not to phy sical, but to moral and social science, and is the object of what is called Po-

litical Economy

The production of wealth, the ex traction of the instruments of human subsistence and enjoyment from the materials of the globe, is evidently not an arbitrary thing. It has its neces sary conditions Of these, some are physical, depending on the properties matter, and on the amount of knowledge of those properties possessed at the particular place and time These Political Economy does not investigate, but assumes, referring for the grounds, to physical science or common expe nence Combining with these facts of outward nature other truths relating to human nature, it attempts to trace the secondary or derivative laws, by which the production of wealth is de termined, in which must he the ex planation of the diversities of riches and poverty in the present and past, and the ground of whatever in crease in wealth is reserved for the future

Unlike the laws of Production, those of Distribution are partly of human institution since the manner in which wealth is distributed in any given so ciety, depends on the statutes or usages therein obtaining But though govern

ciding what institutions shall exist, they cannot arbitrarily determine how those institutions shall work. The conditions on which the power they possess over the distribution of wealth is depen dent, and the manner in which the distribution is affected by the various modes | subject of the following treatise

ments or nations have the power of de- | of conduct which society may think fit to adopt, are as much a subject for scien tific inquiry as any of the physical laws of nature

The laws of Production and Distri bution, and some of the practical con sequences deducible from them, are the

BOOK L

PRODUCTION.

CHAPTER L

OF THE REQUISITES OF PRODUCTION

§ 1 The requisites of production are two 'labour, and appropriate natural objects

Labour is either bodily or mental, or, to express the distinction more comprehensively, either muscular or nervous, and it is necessary to include in the idea, not solely the exertion itself, but all feelings of a disagreeable kind, all bodily inconvenience or mental an noyance, connected with the employment of one's thoughts, or muscles, or both, in a particular occupation the other requisite—appropriate natural objects—it is to be remarked, that some objects exist or grow up spontaneously, of a kind suited to the supply of human wants There are caves and hollow trees capable of affording shel ter, fruit, roots, wild honey, and other natural products, on which human life can be supported, but even here a con siderable quantity of labour is generally required, not for the purpose of creating, but of finding and appropriating them In all but these few and (except in the very commencement of human society) mumportant cases, the objects supplied by nature are only instrumental to hu man wants, after having undergone some degree of transformation by hu nan exertion. Even the wild animals of the forest and of the sea, from which the hunting and fishing tribes derive their sustenance—though the labour of which they are the subject is chiefly that required for appropriating them must yet, before they are used as food, be killed, divided into fragments, and subjected in almost all cases to soma

culmary process, which are operations requiring a certain degree of human The amount of transformation which natural substances undergo be fore being brought into the shape in which they are directly applied to human use, varies from this or a still less degree of alteration in the nature and appearance of the object, to a change so total that no trace is perceptible of the original shape and structure There is little resemblance between a piece of a mineral substance found in the earth, and a plough, an axe, or a saw There is less resemblance between porcelain and the decomposing granite of which it is made, or between sand mixed with ser weed, and glass The difference is greater still between the fleece of a sheep, or a handful of cotton seeds, and a web of muslin or broad cloth, and the sheep and seeds themselves are not spontaneous growths, but results of previous labour and care In these se veral cases the ultimate product is so extremely dissimilar to the substance supplied by nature, that in the custom of language nature is represented as only furnishing materials.

Nature, however, does more than supply materials, she also supplies powers. The matter of the globe is not an inert recipient of forms and prosperties impressed by human hands, it has active energies by which it co-operates with, and may even be used as a substitute for, labour. In the early ages people converted their corn into flour by pounding it between two stones, they next hit on a contrivance which

enabled them, by turning a handle, to make one of the stones revolve upon the other, and this process, a little im proved, is still the common practice of The muscular exertion, the East however, which it required, was very severe and exhausting, insomuch that it was often selected as a r mishment for slaves who had offended their When the time came at masters which the labour and sufferings of slaves were thought worth economizing, the greater part of this bodily exertion was rendered unnecessary, by contriv ing that the upper stone should be made to revolve upon the lower, not by human strength, but by the force of the wind or of falling water In this case, natural agents, the wind or the gravitation of the water, are made to do a portion of the work previously

done by labour § 2 Cases like this, in which a cer tain amount of labour has been dispensed with, its work being devolved upon some natural agent, are apt to suggest an erroneous notion of the comparative functions of labour and natural powers, as if the co-operation of those powers with human industry were limited to the cases in which they are made to perform what would other wise be done by labour, as if, in the case of things made (as the phrase is) by hand, nature only furnished passive This is an illusion materials powers of nature are as actively opera tive in the one case as in the other workman takes a stalk of the flax or hemp plant, splits it into separate fibres, twines together several of these fibres with his fingers, aided by a simple instrument called a spindle, having thus formed a thread, he lays many such threads side by side, and places other similar threads directly across them, so that each passes alternately over and under those which are at right angles to it, this part of the process being facilitated by an instrument called a shuttle He has now produced a web of cloth, either linen or sack cloth, according to the material is said to have done this by hand, no natural force being supposed to have acted in concert with him

But by what force is each step of this operation rendered possible, and the web, when produced held together? By the tenacity, or force of cohesion of the fibres which is one of the forces in nature, and which we can measure exactly against other mechanical forces, and ascertain how much of any of them it suffices to neutralize or counterbalance

If we examine any other case of what i is called the action of man upon na ture, we shall find in like manner that! the powers of nature, or in other words the properties of matter, do all the work, when once objects are put into the right position This one operation, of putting things into fit places for being acted upon by their own internal forces, and by those residing in other natural objects, is all that man does, or can do, with mat ter He only moves one thing to or from another He moves a seed into the ground, and the natural forces of vege tation produce in succession a root, a stem, leaves, flowers, and fruit. moves an axe through a tree, and n falls by the natural force of gravitation he moves a saw through it, in a parti cular manner, and the physical proper ties by which a softer substance gives way before a harder, make it separate into planks, which he arranges in cer tain positions, with nails driven through them, or adhesive matter between them and produces a table, or a house moves a spark to fuel, and it ignites and by the force generated in combus tion it cooks the food, melts or soften the iron, converts into beer or suga the malt or cane juice, which he ha previously moved to the spot He ha no other means of acting on matte than by moving it Motion, and re sistance to motion, are the only thing which his muscles are constructed for By muscular contraction he can creat a pressure on an outward object, which if sufficiently powerful, will set it i motion, or if it be already moving, wi check or modify or altogether arrest it motion, and he can do no more this is enough to have given all th command which mankind have acquire over natural forces immeasurably mor powerful than themselves, a comman

which, great as it is already, is without doubt destined to become indefinitely greater. He exerts this power either by availing himself of natural forces in existence, or by arranging objects in those mixtures and combinations by which natural forces are generated, as when by putting a lighted match to unel, and water into a boiler over it, he generates the expansive force of steam, a power which has been made so largely available for the attainment of human purposes.

Labour, then, in the physical world, is always and solely employed in put ting objects in motion, the properties of matter, the laws of nature, do the rest. The skill and ingenuity of hu man beings are chiefly exercised in discovering movements, practicable by their powers, and capable of bringing about the effects which they desire But, while movement is the only effect which man can immediately and directly produce by his inuscles, it is not necessary that he should produce directly by them all the movements The first and most which he requires obvious substitute is the muscular ac-Ition of cattle by degrees the powers of manimate nature are made to aid in this too, as by making the wind, or water, things already in motion, communicate a part of their motion to the wheels, which before that invention were made to revolve by muscular This service is extorted from the powers of wind and water by a set of actions, consisting like the former in moving cert un objects into cert un positions in which they constitute what is termed a machine, but the muscular action necessary for this is not constantly renewed, but performed once for all, and there is on the whole a great economy of labour

§ 3 Some writers have raised the question, whether nature gives more assistance to labour in one kind of andustry or in another, and have said

* This essential and primary law of man s power over nature was, I believe, first illusfrated and made prominent as a fundamental principle of Political Economy, in the first chapter of Mr Mill's Elements

that in some occupations labour do a most, in others nature most. In this, however, there seems much confusion of ideas. The part which nature has in any work of man, is indefinite and incommensurable. It is impossible to decide that in any one thing nature does more than in any other cannot even say that labour does less Les labour may be required, but if that which is required is absolutely indispensable, the result is just much the product of labour, as When two conditions are nature equally necessary for producing the effect at all, it is numeroung to say that so much of it is produced by occ and so much by the other, it is likely attempting to decide which half of a pur of sciesors has most to do in the act of cutting, or which of the factors. five and six, contributes most to the production of thirty The form which this conceit usually assumes, is that of supposing that nature lends more assist, ance to human endeavours in agriculy ture, than in manufactures notion, held by the French Economistes, and from which \dam Smith was not free, arose from a misconception of the nature of rent The rent of land being a price paid for a natural agency, and no such price being paid in manufactures, these writers imagined that since a price was paid, it was because there was a greater amount of service to be prid for whereas a better considera tion of the subject would have shown that the reason why the use of land bears a price is simply the limitation of its quantity, and that if air, heat, electricity, chemical agencies, and the other powers of nature employed by manufacturers, were sparingly supplied, and could, like land, be engrossed and appropriated, a rent could be exacted for them also

§ 4 This leads to a distinction which we shall find to be of primary importance. Of natural powers, some are unlimited, others limited in quantity. By an unlimited quantity is of course not meant literally, but practically unlimited a quantity beyond the use which can in any, or at least

Land is, in some nextly with! ın countries, practically unlimited there is more than can be used by the existing population of the country, or by any accession likely to be made to it for generations to come But even there, land favourable situated with regard to markets or means f of carriage, is generally limited in quantity there is not so much of it as persons would gladly occupy and cultivate, or otherwise turn to use. In all old countries, land capable of cultivation land at least of any tolerable fertility, must be ranked among agents limited in quantity. Water, for ordi nary purposes, on the banks of rivers or lake, may be regarded as of un limited abundance but if required for irrigation, it may even there be in sufficient to supply all wants, while in places which depend for their consumption on disterns or tanks, or on wells which are not copious, or are hable to tail, water takes its place among things the quantity of which is most strictly hmited Where water-itself is plenti ful, yet water power, ie a fall of nater applicable by its mechanical force to the service of industry, may be exceedingly limited, compared with the use which would be made of it if it were more abundant Coal, metallic ores, and other useful substances found in the earth, are still more limited than land They are not only strictly local, but exhaustible, though, at a given place and time, they may exist in much greater abundance than would be apphed to present use even if they could be obtained gratis Fisheries, in the sea, are in most cases a grit of nature practically unlimited in amount, but the Arctic whale fisheries have long been insufficient for the demand which exists even at the very considerable price necessary to defray the cost of [and the immense ex appropriation tension which the Southern fisheries have in consequence assumed, is tend

in present circumstances by mid-offing to extain the likewise A inner and a near a new rannel very limited charges r, and would be raidly exhausted if all well to be used become one enthant in trait even that state of it which we time rind ring, in most site of its leach throod in a quantity ender out fever is and so like and, on the pescalilo tr ser coust or on large rivers that water though the abordage or had air room apple able to the e-race of that mode of transport is in many situati is far short of what tould be n ed if e ialy attainable

> It will be sen beneiter have nuchi of the ec nemy of some by digende en the limited quantity in a ball of its of the met important natural agente exist, and mon parti alarly, land " I or" the present I shall oals remark that so long as the quantity of a natural arent is prictically unlimited it connot, unless succeptible of antical mone, ols, bear any value in the market, rince no one will give anything for what can be obtained gratis. But as rou as a limitation becomes practically operative, as soon as there is not to riuch of the thing to be had, as would be appropriated and us d if it could be obtained for asking, the ownership or use of the natural agent acquires an exchangeable value When more nater power is wanted in a particular district, than there are falls of water to supply it, persons will give an equivalent for the use of a fall of water When there is more land wanted for cultivation than a place possesses, or than it possesses of a certain quality and certain advantages of situation, land of that quality and situation may be sold for a price, or let for an annual This subject will hereafter be discussed at length, but it is often useful to anticipate, by a brief sugges tion, principles and deductions which we have not yet reached the place for exhibiting and illustrating fully

OHAPTER H

OF LAPOUR AS AN AGENT OF PRODUCTION

the prediction of in article fitted for the iron of which the plough and wino him an use, is either employed juther implements were mide. These, directly also it il e thing or in previous however, and the plough maker, do not operation destination children, perhaps depend for their remuneration upon errential to the possibility of, the substitute brind made from the product of acquent ones. In making I end, for a single barrest, but upon that made example, the labour employed about from the produce of all the har the thingsteell is that of the baker, vests which are successively gathered but the lab air of the taller, though tatal the plough, or the buildings and employed directly in the production i tences, are worn out. We must add i not of treed bet of flour, is equally part | yet another kind of labour, that of of the aggregate ours of lateur by transporting the produce from the place which the bread is produced, as is ak a the labour of the sawer, and of the ! raper Some mer think that all these j per one ought to be considered as emploring their labour directly about the thing, the com, the flour, and the bread being one substance in three diff rent "tate" Without disputing about this question of mero language, there is still the ploughman who prepared the ground for the seed, and [whose labour never came in contact with the substance in any of its states, and the plough naker, whose share in the result was still more remote there persons ultimately derive the remuneration of their labour from the bread, or its price the plough maler as much as the rest, for since ploughs are of no use except for tilling the soil, no one would make or use ploughs for any other reason than because the in creased returns, there by obtained from the ground, afforded a source from which an adequate equivalent could be assigued for the labour of the plough If the produce is to be used or consumed in the form of bread, it is from the bread that this equivalent must come The bread must suffice to remunerate all these labourers, and several others, such as the carpenters and bricklayers who erected the farm buildings, the hedgers and ditchers who made the fences necessary for the protection of the crop, the miners and

§ 1 The labour which terminates in 18 nelters who extracted or prepared of its production to the place of its destined use the labour of carrying the corn to market, and from market to the nuller's, the flour from the miller's to the baker's, and the bread from the baker's to the place of its final consumption. This labour is sometimes very considerable flour is trans ported to Figland from beyond the Atlantic, corn from the heart of Russia, and in addition to the labourers immedirtely employed, the waggeners and sailors, there are also costly instruments, such as ships, in the construction of which much labour has been expended that labour, however, not depending for its whole remuncration upon the bread, but for a part only, ships being usually, during the course of their existence, employed in the transport of many different kinds of commodities

To estimate, therefore, the labour of ... which any given commodity is the result, is far from a simple operation The items in the calcilation are very numerous—as it may seem to some persons, infinitely so, for if, as a part of the labour employed in making bread, we count the labour of the blacksmith who made the plough, why not also (it may be asked) the labour of making the tools used by the blacksmith, and the tools used in making those tools, and so back to the origin of things? But after mounting one or two steps in this ascending scale, we come

into a region of fractions too minute [Suppose, for instance, for calculation that the same plough will last, before being worn out, a dozen years Only one twelfth of the labour of making the plough must be placed to the account of each year's harvest A twelfth part of the labour of making a plough is an appreciable quantity But the same set of tools, perhaps, suffice to the plough maker for forging a hundred ploughs, which serve during the twelve years of their existence to prepare the soil of as many different farms A twelve hundredth part of the labour of making his tools, is as much, therefore, as has been expended in procuring one year's harvest of a single farm and when this fraction comes to be further appornoned among the various sacks of corn and loaves of bread, it is seen at once that such quantities are not worth taking into the account for any practical purpose connected with the commodity. It is true that if the tool maker had not laboured, the corn and bread never would have been produced, but they will not be sold a tenth part of a farthing dearer in consideration of his labour

§ 2 Another of the modes in which labour is indirectly or remotely instru mental to the production of a thing, requires particular notice namely, when it is employed in producing subsistence, to maintain the labourers while they are engaged in the produc This previous employment of * (abour is an indispensable condition to hevery productive operation on any other than the very smallest scale Except the labour of the hunter and fisher, there is scarcely any kind of Tabour to which the returns are imme Productive operations require to be continued a certain time, before their fruits are obtained. Unless the labourer, before commencing his work, possesses a store of food, or can obtain access to the stores of some one else, in sufficient quantity to maintain him until the production is completed, he can undertake no labour but such as can be carried on at odd intervals,

He cannot obtain food subsistence itself in any abundance, for every mode of so obtaining it, requires that there be already food in store Agri culture only brings forth food after the lapse of months, and though the labours of the agriculturist are not necess inly continuous during the whole period, they must occupy a considera ble part of it Not only is agriculture impossible without food produced in advance, but there must be a very great quantity in advance to enable any considerable community to support itself wholly by agriculture country like England or France is only able to carry on the agriculture of the present year, because that of past vears las provided, in those countries or somewhere else, sufficient food to support their agricultural population until They are only the next harvest enabled to produce so many other things besides food, because the food which was in store at the close of the last harvest suffices to maintain not only the agricultural labourers, but a large industrious population besides

The labour employed in producing this stock of subsistence, forms a great, and important part of the past labour' which has been necessary to enable: present labour to be carried on there is a difference, requiring parti cular notice, between this and the other kinds of previous or preparatory labour The miller, the reaper, the ploughman, the plough maker, the waggoner and waggon maker, even the sailor and ship-builder when employed, derive their remuneration from the ultimate product—the bread made from the corn on which they have severally operated, or supplied the instruments for ope rating The labour that produced the food which fed all these labourers, is as necessary to the ultimate result, the bread of the present harvest, as any of those other portions of labour, but is not, like them, remunerated from it That previous labour has received its remuneration from the previous food In order to raise any product, there are needed labour, tools, and materials, and food to feed the labourers But the concurrently with the nursuit of his I tools and materials are of no use except

for obtaining the product, or at least are to be applied to no other use, and the labour of their construction can be remunerated only from the product when obtained. The food, on the con trury, is intrinsically useful, and is applied to the direct use of feeding human The labour expended in producing the food, and recompensed by it, needs not be reminerated over again from the produce of the subsequent labour which it has fed. If we suppose that the same body of labourers carried on a manufacture, and grew food to sustain themselves while doing it, they have had for their trouble the food and the manufactured article, but if they also grew the material and made the tools, they have had nothing for that trouble but the manufactured article alone

The claim to remuneration founded on the possession of food, available for the maintenance of labourers, is of an other kind, remuneration for abstinence, not for Inbour If a person has a store of food, he has it in his power to con sume it himself in idleness, or in feed ing others to attend on him, or to fight for him, or to sing or dance for him If, instead of these things, he gives it to productive labourers to support them during their work, he can, and naturally will, claim a remuneration from the He will not be content with simple repryment, if he receives merely that, he is only in the same situation as at first, and has derived no advan tage from delaying to apply his savings to his own benefit or pleasure look for some equivalent for this for bearance he will expect his advance of food to come back to him with an increase, called in the language of busi ness, a profit, and the hope of this profit will generally have been a part of the inducement which made him accu mulate a stock, by economizing in his own consumption, or, at any rate, which made him forego the application of it, when accumulated, to his personal ease or satisfaction The food also which maintained other workmen while producing the tools or materials, must have been provided in advance by some one, and he, too, must have his profit

from the ultimate product, but there is this difference, that here the ultimate product has to supply not only the profit, but also the remuneration of the The tool maker (say, for m stance, the plough maker) does not in deed usually wait for his payment until the harvest is reaped, the farmer ad vances it to him, and steps into his place by becoming the owner of the Nevertheless, it is from the harvest that the pryment is to come, since the farmer would not undertake this outlay unless he expected that the harvest would repay him, and with a profit too on this fresh advance, that is, unless the harvest would yield, be sides the remuneration of the farm labourers (and a profit for advancing it), a sufficient residue to remunerate the plough maker's labourers, give the plough maker a profit, and a profit to the farmer on both

§ 3 From these considerations it ap ? pears, that in an enumeration and classification of the kinds of industry which are intended for the indirect or remote? furtherance of other productive labour, we need not include the labour of producing subsistence or other necessaries of life to be consumed by productive ? labourers, for the main end and pur-! pose of this labour is the subsistence! itself, and though the possession of a store of it enables other work to be done, this is but an incidental consequence The remaining modes in which labour is indirectly instrumental to production, may be arranged under five heads

First Labour employed in producing materials, on which industry is to be afterwards employed. This is, in many cases, a labour of mere appropriation, extractive industry, as it has been aptly named by M Dunoyer of the labour of the miner, for example, consists of operations for digging out of the earth substances convertible by industry into various articles fitted for human use Extractive industry, however, is not confined to the extraction of materials Cool, for instance, is employed, not only in the processes of industry, but in directly warming human beings. When so used, it is not a material of produc

tion, but is itself the ultimate product. So, also, in the case of a mine of precious stones. These are to some small extent employed in the productive arts, as diamonds by the glass-cutter, emery and corundum for polishing, but their principal destination, that of ornament, is a direct use, though they commonly require, before being so used, some process of manufacture, which may per haps warrant our regarding them as materials. Metallic ores of all sorts are materials merely

Under the head, production of materials, we must include the industry of the wood-cutter, when employed in cutting and preparing timber for building, or wood for the purposes of the carpenter's or any other art. In the forests of America, Norway, Germany, the Pyrenees and Alps, this sort of labour is largely employed on trees of spontaneous growth. In other cases, we must add to the labour of the wood cutter that of the planter and culti-

Under the same head are also com prised the labours of the agriculturists in growing flax, hemp, cotton, feeding silk worms, rusing food for cattle, producing bark, dye-stuffs, some oleaginous plants, and many other things only useful because required in other de partments of industry. So, too, the labour of the hunter, as far as his object is furs or feathers, of the shepherd and the cattle breeder, in respect of wool, hides, horn, bristles, horse-hair, The things ned as and the like materials in some process or other of manufacture are of a most miscel laneous character, drawn from almost every quarter of the ammal, vegetable, and mineral kingdoms And besides this, the finished products of many branches of industry are the materials of others The thread produced by the spinner is applied to hardly any use except as material for the weaver Teven the product of the loom is chiefly used as material for the fabricators of articles of dress or furniture, or of further instruments of productive in dustry, as in the case of the sailmaker The currier and tanner find their whole occupation in converting raw |

material into what may be termed prepared material. In strictness of speech, almost all food, as it comes from the hands of the agriculturist, is nothing more than material for the occupation of the baker or the cook.

The second kind of indirect; labour is that employed in making tools or implements for the assistance of labour. I use these terms in their, most comprehensive sense, embracing all permanent instruments or helps to production, from a flint and steel for striking a light, to a steam ship, or the most complex apparatus of manu facturing machinery There may be some hentation where to driw the line between implements and materials, and some things used in production (such as fuel) would scarcely in common language be called by either name, popular phraseology being shaped out by a different class of necessities from those of scientific exposition? avoid a multiplication of classes and denominations answering to distinctions of no scientific importance, political economists generally include all things which are used as immediate means of production (the means which are not immediate will be considered presently) either in the class of implements or in that of materials haps the line is most usually and most conveniently drawn, by considering as a material every instrument of producfron which can only be used once, being t destroyed (at least as an instrument ; for the purpose in hand) by a single employment. Thus fuel, once burnt, cannot be again used as fuel, what can be so used is only any portion which has remained unburnt the first And not only it cannot be used) without being consumed, but it is only useful by being consumed, for if no part of the fuel were destroyed, no heat would be generated. A fleece, again, is destroyed as a fleece by being spun into thread, and the thread can not be used as thread when woven into cloth. But an age is not destroyed as an axe by cutting down a it may be used afterwards to cut down a hundred or a thousand

more, and though deteriorated in some small degree by each use, it does not do its work by being deteriorated, as the coal and the fleece do theirs by being destroyed, on the contrary, it is the better instrument the better it resists deterioration There are some things, rightly classed as materials. which may be used as such a second and a third time, but not while the product to which they at first contri buted remains in existence The iron which formed a tank or a set of pipes may be melted to form a plough or a steam-engine, the stones with which a house was built may be used after it is pulled down, to build another this cannot be done while the original product subsists, their function as materials is suspended, until the exhaustron of the first use Not so with the things classed as implements, they may be used repeatedly for fresh work, until the time, sometimes very distant, at which they are worn out, while the work already done by them may subsist unimpaired, and when it perishes, does so by its own laws, or by casualties of its own *

The only practical difference of much importance arising from the distinction between materials and implements, is one which has attracted our attention in another case. Since materials are destroyed as such by being once used, the whole of the labour required for their production, as well as the abstrance of the person who supplied the means of carrying it on, must be remunerated from the fruits of that

The able and friendly reviewer of this treatise in the Edinburgh Review (October 1848) conceives the distinction between materials and implements rather differently proposing to consider as materials "all the things which, after having undergone the change implied in production, are them selves matter of exchange" and as imple-ments (or instruments) "the things which are employed in producing that change, but do not themselves become part of the ex-changeable result " According to these According to these definitions, the fuel consumed in a manufac tory would be considered, not as a material but as an instrument This use of the terms accords better than that proposed in the text with the primitive physical meaning of the word "material," but the distinction on which it is grounded is one almost irrelevant to political economy

single use Implements, on the con trary, being susceptible of repeated employment, the whole of the products which they are instrumental in bring ing into existence are a fund which can be drawn upon to remunerate the labour of their construction, and the abstinence of those by whose accumu lations that labour was supported is enough if each product contributes a fraction, commonly an insignificant one, towards the remuneration of that labour and abstinence, or towards in demnifying the immediate producer for advancing that remuneration to the person who produced the tools

Thirdly Besides materials for industry to employ itself on, and implements to aid it, provision must be made to prevent its operations from being disturbed and its products injured, either by the destroying agencies of nature, or by the violence or rapa-This gives rise to ancity of men. other mode in which labour not employed directly about the product i, itself, is instrumental to its productions namely, when employed for the protect tion of industry Such is the object of all buildings for industrial purposes, all manufactories, warehouses, docks, granaries, barns, farm buildings devoted to cattle, or to the operations of agricultural labour I exclude those in which the labourers live, or which are destined for their personal accommodation—these, like their food, supply actual wants, and must be counted in the remuneration of their labour There are many modes in which labour is still more directly applied to the protection of productive operations The herdsman has little other occupa? tion than to protect the cattle from harm the positive agencies concerned' in the realization of the product, go on nearly of themselves I have already mentioned the labour of the hedger and ditcher, of the builder of walls or dykes. To these must be added that of the soldier, the policeman, and the judge These functionance are not indeed employed exclusively in the protection! of industry, nor does their payment! constitute, to the individual producer

But they are paid from the taxes, which are derived from the produce of industry, and in any tolerably governed country they render to its operations a service far more than equivalent to the cost. To society at large they are therefore part of the expenses of production and if the refurns to production were not suf ficient to maintain these labourers in addition to all the others required, production, at least in that form and manner, could not take place sides, if the protection which the government affords to the operations of industry were not afforded, the pro ducers would be under a necessity of either withdrawing a large share of their time and labour from production, to employ it in defence, or of engaging armed men to defend them, all which labour, in that case, must be directly remunerated from the produce, and Under the present arrange ments, the product pays its quota towards the same protection, and not withstanding the waste and prodigality meident to government expenditure, obtains it of better quality at a much smaller cost.

Fourthly There is a very great amount of labour employed, not in bringing the product into existence, but in rendering it, when in existence, ' accessible to those for whose use it 19 intended. Many important classes of inbourers find their sole employment in some function of this kind There is , first the whole class of carriers, by land or water muletcors, waggoners, bargemen, sailors, wharfmen, coal neavers, porters railway establish ments, and the like Next, there are the constructors of all the implements of transport, ships, barges, carts, locomotives, &c, to which must be added roads, canals, and railways are sometimes made by the govern ment, and opened gratuitously to the public, but the labour of making them is not the less paid for from the probach producer, in paying his

a part of the expenses of production [quota of the taxes live digenerally fr the contraction of ro de, 1 "ye for the nie of those y high con line to his con venience and if made with any toler able indument, they menas the returns to his indu 'ry by far mon than an equivalent amount

Another numerous class of Inbourer employed in rendering the things produced acces this to their intend deep sumers, is the class of dealers and traders, or, as they may be termed distributors. Then would be a go at na to of time and troul's, and an in consenience often amounting to inpractical thir, if our our cutil cale obtain the articles they want by treat mg directly with the producers. Both producers and consumers are too timely centtered, and the latter often at too great a di tance from the former. To diminish this los of time and labour, the contrivance of fairs and markets ans carly had recourse to, where consumers and producers might periodi things which could not pay for this summer and producers night periodic additional labour, would not be pro- cally meet, without any intermediate accoust and this plan absorbs toler ably well for many articles, especially produce, agriculturista agneultural having at some seasons a certain quan tity of spare time on their hands. But even in this case, attendance is often very troublesome and inconvenient to buyers who have other occupitions and do not live in the immediate vicinity, while, for all articles the production of which requires continuous attention from the producers, there periodical markets must be held at such con iderable intervals, and the wants of the consumers must either be provided for so long beforehand, or must remain so long unsupplied, that even before the relources of society admitted of the establishment of shops, the supply of these wants fell univer sally into the hands of itinerant dealers, the pedlar, who might appear once a month, being preferred to the fair, which only returned once or twice a year In country districts, remote from towns or large villages, the in dustry of the pedlar is not yet wholly superseded But a dealer who has a fixed abode and fixed customers 16 80 much more to be depended on, that

th mal of quarters related strengthers is constructed accombin, and dealers t their force find their missauters in esta bludance tempetres in every locality l को तक दी के देश शाहितकार एक्टरण कार near at here I to all oil them a remuie m* 17

In rank cases the producers and inertial for their exertions, and for the as to the opposition of the firsts and promothes in idean edial for the business the extend of the appointment. The of distribution terior, the electrocker, the laker, and en a ether to derren an the prodirik of the artish a thei dishin, so ! for as no made the let suppose the process of the many longers, of the his tronger einter the and to tailer is order experient when attack the plane contenent for tailing it. they bear border major a best silend in small parcels. It is a things have to be legal for an district, the same pore i cannot effects alle enterin tend forb the rinking and the n tubing of them when they are best and meet cheaple made on a liter reale, a sincle traditations requires to many local chronels to earry off the supply, that the retains in most constantible delerated to other agence and exenshing and costs, when they are to be furnished in large quartities at once, as for the eruply of a regurent or of a workhouse, are unally obtained and directly from the producers, but from interriedade dealers, allowed establish dusiness to acceptain for a reliat producers they can he altarned best and cheapest when things are destined to be at last sold by retail, convenience egon creates a class of wholesale dealers products and transactions have multiplied beyond a certain point, when one manufactory supplies many shops, and one shop has often to obtain goods from many different manufactories, the loss of time and trouble both to the manufacturers and to the retailers by treating directly with one another, makes it more convenient to them to trent with a smaller number of great dealers or merchants, who only buy to sell again, collecting goods from the various producers, and distributing them to the retailers, to be by them I may be looked upon as part of the la

turther distributed among the con "more Of these various elements is i compried the Distributing Class, whose ! ageres is supplementary to that of the Producing Class, and the produce so ! distributed, or its price, is the source from which the distributors are remn nerved for their exertions, and for the

\$7 We have now completed the enumeration of the modes in which labour employed on external nature 14 ed arrient to production. But there travel another mode of employing labour which conduces equally, though still ean't sutage of be an octomist force modely, to that end this is, I false grant al ish the subject is human brings I very human being has been brought up from infuncy at the expense of much labour to come person or per rong, and if this labour or part of it lind not been bestowed, the child would never have attained the age and strength which camble him to become a labourer in his turn. To the community at large, the labour and ox perse of rearing its infant population form a part of the outlay which is a condition of production, and which is to be replaced with increase from the future produce of their labour. By the individuals, this labour and expense are usually incurred from other motives than to obtain such ultimate return, ind, for most purposes of political econong, need not be talen into account as expenses of production technical or industrial education of the community, the labour employed in learning and in teaching the arts of production, in acquiring and communicating skill in those arts, this labour is really, and in general solely, under gono for the make of the greater or more i valuable produce thereby attained, and in order that a romuneration, equivalent! or more than equivalent, may be reaped; by the learner, besides an adequate re municration for the labour of the teacher, when a teacher has been employed

As the labour which confers produc five powers, whether of hand or of head, bour by which society accomplishes its productive operations, or in other words, as part of what the produce costs to society, so too may the labour employed n keeping up productive powers, in preventing them from being destroyed or weakened by accident or disease The labour of a physician or surgeon, when made use of by persons engaged in industry, must be regarded in the economy of society as a sacrifice in turred, to preserve from perishing by death or infirmity that portion of the productive resources of society which is fixed in the lives and bodily or mental powers of its productive members the individuals, indeed, this forms but a part. cometimes an imperceptible part. of the motives that induce them to submit to medical treatment it is not principally from economical motives that persons have a limb amputated, or endeavour to be cured of a fever, though when they do so, there is generally sufficient inducement for it even on that score alone This is, therefore, one of the cases of labour and outlay which, though conducive to production. yet not being incurred for that end, or for the sake of the returns arising from it, are out of the sphere of most of the general propositions which political economy has occasion to assert respecting productive labour though, when society and not the individuals are considered, this labour and outlay must be regarded as part of the advance by which society effects its productive one rations, and for which it is indemnified by the produce

§ 8 Another kind of labour, usually classed as mental, but conducing to the ultimate product as directly, though not so immediately, as manual labour itself, is the labour of the inventors of industrial processes. I say, usually classed as mental, because in reality it is not exclusively so. All human exertion is compounded of some mental and some bodily elements. The stapidest hodinan who repairs from day to day the mechanical act of climbing a ladder, performs a function partly intellectual, so much so, indeed that the most in telligent dog or elephant could not.

probably, be taught to do it dullest human being, instructed beforehand, is capable of turning a mill, but ' a horse cannot turn it without some-On the body to drive and watch him. other hand, there is some bodily ingre dient in the labour most purely mental, when it generates any external result Newton could not have produced the Principle without the bodily exertion either of penmanship or of dictation, and he must have drawn many dia grams, and written out many calcula tions and demonstrations, while he was preparing it in his mind Inventors. besides the labour of their brains, generally go through much labour with their hands, in the models which they construct and the experiments they have to make before their idea can realize: itself successfully in act Whether mental, however, or bodily, their labour is a part of that by which the production is brought about The labour of Watt in contriving the steam-engine was as essential a part of production as that of the mechanics who build or the engineers who work the instru ment , and was undergone, no less than theirs, in the prospect of a remuneration from the produce The labour of inven tion is often estimated and paid on the very same plan as that of execution. Many manufacturers of ornamental goods have inventors in their employ ment, who receive wages or salaries for designing patterns, exactly as others do for copying them All this is strictly part of the labour of production, as the labour of the author of a book is equally a part of its production with that of the printer and binder

In a national, or universal point of view, the labour of the sayant, or speculative thinker, is as much a part of production in the very narrowest sense, as that of the inventor of a practical art, many such inventions having been the direct consequences of theoretic discoveries, and every extension of knowledge of the powers of nature being fruitful of applications to the purposes of outward life. The electromagnetic telegraph was the wonderful and most unexpected consequence of the experiments of Ersted and the

mathematical investigations of Amand the modern art of navigation is an unforeseen emanation from the purely speculative and apparently merely curious inquiry, by the mathe maticians of Alexandria, into the properties of three curves formed by the intersection of a plane surface and a No limit can be set to the im portance, even in a purely productive and material point of view, of mere thought, Inasmuch, however, as these material fruits, though the result, are seldom the direct purpose of the pursmits of savants, nor is their remu neration in general derived from the increased production which may be caused incidentally, and mostly after a long interval, by their discoveries, this ultimate influence does not, for most of the purposes of political economy, require to be taken into consideration, and speculative thinkers are generally classed as the producers only of the books, or other useable or saleable articles, which directly emanate from them But when (as in pohtical economy one should always be prepared to do) we shift our point of view, and consider not individual acts. and the motives by which they are determined, but national and universal results, intellectual speculation must be looked upon as a most influential part of the productive labour of society, hand the portion of its resources em ployed in carrying on and in remune rating such labour, as a highly produc tive part of its expenditure

§ 9 In the foregoing survey of the modes of employing labour in further lance of production, I have made bttle ase of the popular distinction of indusitry into agricultural, manufacturing, and commercial For, in truth, this division fulfils very badly the purposes of a classification Many great branches of productive industry find no place in it, or not without much straining, for example (not to speak of hunters or fishers) the miner, the road maker, and The limit, too, between the sailor agricultural and manufacturing indus try cannot be precisely drawn miller, for instance, and the baker-

are they to be reckoned among agri culturists, or among manufacturers? Their occupation is in its nature manufacturing, the food has finally parted company with the soil before it is handed over to them this, however, might be said with equal truth of the thresher, the winnower, the makers of butter and cheese, operations always counted as agricultural, probably because it is the custom for them to be performed by persons resident on the farm, and under the same superinten dence as tillage For many purposes, all these persons, the miller and baker inclusive, must be placed in the same class with ploughmen and reapers They are all concerned in producing food, and depend for their remuneration on the food produced when the one class abounds and flourishes, the others do so too, they form collectively the "agricultural interest," they render but one service to the community by their united labours, and are paid from one common source Even the tillers of the soil, again, when the produce is not food, but the materials of what are commonly termed manufactures, belong in many respects to the same division in the economy of society as manufacturers The cotton planter of Carolina, and the wool grower of Australia, have more interests in common with the spinner and weaver than with the corn grower But, on the other hand, the industry which operates immediately upon the soil has, as we shall see hereafter, some properties on which many important consequences depend, and which distinguish it from all the subsequent stages of production, whether carned on by the same person or not, from the industry of the thresher and winnower, as much as from that of the cotton-spinner When I speak, therefore, of agricultural labour, I shall generally mean this, and this exclusively, unless the contrary is either stated or implied in the context term manufacturing is too vague to be of much use when precision is required, and when I employ it, I wish to be un derstood as intending to speak pepu larly rather than ectentifically

CHAPTER IIL

OF THERODUCTIVE I ABOUR.

§ 1 LABOUR is indispensable to production, but has not always production for its effect There is much labour, and of a high order of usefulness, of which production is not the object Labour has accordingly been distin guished into Productive and Unpro-There has been not a little ductive controversy among political economists on the question, what kinds of labour should be reputed to be unproductive, and they have not always perceived, that there was in reality no matter of fact in dispute between them

Many writers have been unwilling to class any labour as productive, unless rite result is palpable in some material object, capable of being transferred from one person to another There are others (among whom are Mr M'Culloch and M Say) who looking upon the word unproductive as a term of disparagement, remonstrate against im posing it upon any labour which is regarded as useful-which produces a benefit or a pleasure worth the cost the labour of officers of government, of the army and navy, of physicians, Inwyers, teachers, musicians, dincers, actors, domestic servants, &c when they really accomplish what they are paid for, and are not more numerous than is required for its performance. lought not, say these writers, to be "stigmatized" as unproductive, an ex pression which they appear to regard his synonymous with wisteful or worth I'ut this seems to be a misunder standing of the matter in dispute. Production not being the sole and of human existence, the term unproductive does not necessarily imply any stigma, nor was ever intended to do so in the pre-The question is one of mere *ent case Innguage and classification ences of larguage, honever, are by no the and improportable, even when not granded on differences of epinion, for j

be consistent with the whole truth, they generally tend to fix attention upon different parts of it We must there fore enter a little into the considera tion of the various meanings which may attach to the words productive and unproductive when applied to labour

In the first place, even in what is called the production of material ob jects, it must be remembered that what is produced is not the matter composing All the labour of all the human beings in the world could not produce one particle of matter To weave broadcloth is but to rearrange, in a peculiar manner, the particles of wool. to grow corn is only to put a portion of matter called a seed, into a situation where it can draw together particles of matter from the earth and air, to form the new combination called a plant Though we cannot create matter, we can cause it to assume properties, by which, from having been useless to us, it becomes useful What we produce, or desire to produce, is always, as M Say rightly terms at, an utility bour is not creative of objects, but off Neither, again, do we consume and destroy the objects them selves, the matter of which they were composed remains, more or less altered in form what has really been consumed is only the qualities by which they were fitted for the purpose they made been applied to It is, therefore, pertinently asked by M. Say and others—since, when we are said to produce objects, we only produce utility, why should not, all labour which produces utility bell accounted productive? Why refuse that title to the surgeon who sets a) limb, the judge or legislator who con fers security, and give it to the lapi dars who cuts and polishes a diamond? Why deny it to the teacher from whom I learn an art by which I can gain my thrugh either of two expressions may bread, and accord it to the confectioner l who makes bonbons for the momentary pleasure of a sense of taste?

It is quite true that all these kinds of labour are productive of utility, and the question which now occupies us could not have been a question at all, if the production of utility were enough to satisfy the notion which mankind have usually formed of productive la-Production, and productive, are of course elliptical expressions, involving the idea of a something produced, but this something, in common apprehension, I conceive to be, not utility, but Wealth Productive labour means labour productive of wealth recalled, therefore, to the question touched upon in our first chapter, what Wealth 18, and whether only material products, or all useful products, are to be included in it

§ 2 Now the utilities produced by abour are of three kinds. They are,

First, utilities fixed and embodied in outward objects, by labour employed a investing external material things with properties which render them seraceable to human beings. This is the common case, and requires no illus ration.

Secondly, utilities fixed and embodied n human beings, the labour being in his case employed in conferring on iuman beings, qualities which render hem serviceable to themselves and To this class belongs the la your of all concerned in education, not only schoolmasters, tutors, and profesfors, but governments, so far as they im successfully at the improvement of he people, moralists, and clergymen, is far as productive of benefit, the abour of physicians, as far as instrunental in preserving life and physical or mental efficiency, of the teachers of bodily exercises, and of the various rades sciences, and arts, together with the labour of the learners in acquiring hem, and all labour bestowed by any persons, throughout life, in improving he knowledge or cultivating the bodily or mental faculties of themselves or others

Thirdly and lastly, utilities not fixed ir embodied in any object, but consist-

ing in a mere service rendered, a plea / sure given, an inconvenience or a pun averted, during a longer or a shorter time, but without leaving a permanent acquisition in the improved qualities of any person or thing, the labour being employed in producing an utility di rectly, not (as in the two former cases) in fitting some other thing to afford an Such, for example, is the la bour of the musical performer, the actor, the public declariner or reciter, and the angaworia Some good may no doubt be produced, and much more might be produced, beyond the moment, upon the feelings and disposition, or general state of enjoyment of the spectators, or in stead of good there may be harm, but neither the one nor the other is the effect intended, is the result for which the exhibitor works and the spectator pays, nothing but the immediate plea-Such, again, is the labour of the army and navy, they, at the best, prevent a country from being conquered, or from being injured or insulted, which is a service, but in all other respects leave the country neither improved nor deteriorated. Such, too, is the labour of the legislator, the judge, the officerof justice, and all other agents of government, in their ordinary functions, apart from any influence they may exert on the improvement of the na The service which they tional mind render, is to maintain peace and secu in rity, these compose the utility which they produce It may appear to some, that carriers, and merchants or dealers, should be placed in this same class, since their labour does not add any properties to objects but I reply that it does it adds the property of being in the place where they are wanted, instead of being in some other place which is a very useful property, and the utility it confers is embodied in the things themselves, which now actually are in the place where they are required for use, and in consequence of that increased utility could be sold at an increased price, proportioned to the labour expended in conferring it This labour, therefore, does not belong to the third class, but to the first.

§ 3 We have now to consider which | of these three classes of labour should be accounted productive of wealth, since that 18 what the term productive, when used by itself, must be understood to Utilities of the third class. consisting in pleasures which only exist while being enjoyed, and services which only exist while being performed, can not be spoken of as wealth, except by an acknowledged metaphor It is essential to the idea of wealth to be susceptible of accumulation things which cannot, after being produced, be kept for some time before being used, are never, I think, regarded as wealth, since however much of them may be produced and enjoyed, the person bene fited by them is no richer, is nowise improved in circumstances is not so distinct and positive a viola tion of usage in considering as wealth any product which is both useful and susceptible of accumulation The skill, and the energy and perseverance, of the artisans of a country, are reckoned part of its wealth, no less than their Hools and machinery * According to thus definition, we should regard all 'labour as productive which is employed

Some authorities look upon it as an essen dal element in the idea of wealth that it should be capable not solely of being accu mulated but of being transferred and inas much as the valuable qualities and even the productive capacities, of a human being cannot be detached from him and passed to some one else, they deny to these the appel lation of wealth, and to the labour expended in acquiring them the name of productive It seems to me however that the skill of an artisan (for instance) being both a desirable possession and one of a certain durability (not to say productive even of material wealth) there is no better reason for refusing to it the title of wealth because it is attached to a man than to a coalpit or a manufactory because they are attached to a Besides, if the skill itself cannot be parted with to a purchaser, the use of it may if it cannot be sold it can be hired and it may be, and is, sold outright in all countries whose laws permit that the man himself should be sold along with it. Its defect of ! transferability does not result from a natural, but from a legal and moral obstacle

The human being himself (as formerly observed) I do not class as wealth. He is the purpose for which wealth exists. But his acquired capacities, which exist only as means, and have been called into existence by labour fall rightly as it seems to me

within that designation

in creating permanent utilities, whele ther embodied in human beings, or in any other animate or manimate objects. This nomenclature I have, in a former publication, recommended as the most conducive to the ends of classification, and I am still of that opinion

But in applying the term wealth to the industrial capacities of human be ings, there seems always, in popular apprehension, to be a tacit reference to The skall of an material products artisan is accounted wealth, only as being the means of acquiring wealth in a material sense, and any qualities not tending visibly to that object are scarcely so regarded at all. A country would hardly be said to be richer, ex cept by a metaphor, however precious a possession it might have in the genius, the virtues, or the accomplish ments of its inhabitants, unless indeed these were looked upon as marketable articles, by which it could attract the material wealth of other countries, as the Greeks of old, and several modern nations have done While, therefore, I should prefer, were I constructing a new technical language, to make the distinction turn upon the permanence rather than upon the materiality of the product, yet when employing terms which common usage has taken com plete possession of it seems advisable so to employ them as to do the least possible violence to usage, since any improvement in terminology obtained by straining the received meaning of a popular phrase, is generally purchased beyond its value, by the obscurity arising from the conflict between new and old associations

I shall, therefore, in this treatise, when speaking of wealth, understand by it only what is called material wealth, and by productive labour only those kinds of exertion which produce withites embodied in material objects. But in limiting myself to this sense of the word, I mean to avail myself of the full extent of that restricted acceptation, and I shall not refuse the appellation productive, to labour which yields

[†] Essays on some Unsettled Questions of Political Economy Essay III. On the words Productive and Unproductive

ao material product as its direct result. provided that an increase of material products is its ultimate consequence Thus, labour expended in the acquilition of manufacturing skill, I class as productive, not in virtue of the skill itself, but of the manufactured products created by the skill, and to the creation of which the labour of learning the tride is essentially conducive 'lahour of officers of government in affording the protection which, afforded in some manner or other, is indispensable to the prosperity of industry, must be classed as productive even of material wealth, because without it, material wealth, in anything like its present abundance, could not exist. Such Nabour may be said to be productive indirectly or mediately, in opposition to the labour of the ploughman and the cotton-spinner, which are productive inmediately. They are all alike in unmediately this, that they leave the community richer in material products than they found it, they increase, or tend to increase, material wealth.

§ 4. By Unproductive Labour, on the contrary, will be understood labour which does not terminate in the creation of material wealth, which, however largely or successfully practised, does not render the community, and the world at large, richer in material products, but poorer by all that is consumed by the labourers while so employed

All labour is, in the language of political economy, unproductive, which lends in immediate enjoyment, without any increase of the accumulated stock of permanent means of enjoyment And all labour, according to our present definition, must be classed as unproductive, which terminates in a permanent benefit, however important, provided that an increase of material products forms no part of that benefit The labour of saving a friend's life is not productive, unless the friend is a productive labourer, and produces more than he consumes To a religious person the saving of a soul must appear a far more important service than the saving of a life, but he will not there-

fore call a missionary or a clergyman productive labourers, unless they teach, as the South Sea Missionaries have in some cases done, the arts of civilization in addition to the doctrines of their religion It is, on the contrary, evi dent that the greater number of mis sionaries or clergymen a nation main tains, the less it has to expend on other things, while the more it expends judiciously in keeping agriculturists and manufacturers at work, the more it will have for every other purpose the former it diminishes, cateris parihus, its stock of material products, by the latter, it increases them

Unproductive may be as useful as productive labour, it may be more useful even in point of permanent advantage or its use may consist only in pleasurable sensation, which when gone leaves no trace, or it may not afford even this, but may be absolute waste any case society or mankind grow no richer by it, but poorer All material products consumed by any one while he produces nothing, are so much sub tracted, for the time, from the material products which society would other wise have possessed But though society grows no richer by unproductive labour, the individual may unproductive labourer may receive for his labour, from those who derive pleasure or benefit from it, a remunera tion which may be to him a considera ble source of wealth, but his gain is balanced by their loss, they may have received a full equivalent for their expenditure, but they are so much poorer by it When a tailor makes a coat and sells it, there is a transfer of the price from the customer to the tailor, and a coat besides which did not previously exist, but what is gained by an actor is a mere transfer trom the spectator's funds to his, leav! ing no article of wealth for the spectal tor's indemnification. Thus the com' munity collectively gains nothing by the actor's labour, and it loses, of his receipts, all that portion which he con sumes, retaining only that which he lays by A community, however, may add to its wealth by unproductive labour, at the expense of other com-

munuties, as an individual may at the expense of other individuals The gains of Italian opera singers, German governesses, French ballet dancers, &c, are a source of wealth, as far as they go, to their respective countries, The petty if they return thither states of Greece, especially the rader and more backward of those states, were nurseries of soldiers, who hired themselves to the princes and satraps of the East to carry on useless and destructive wars, and returned with their savings to pass their declining years in their own country these were unpro-ductive labourers, and the pay they received, together with the plunder they took, was an outlay without return to the countries which furnished it, but, though no gain to the world, it was a gain to Greece At a later period the same country and its colonies supplied the Roman empire with another class of adventurers, who, under the name of philosophers or of rhetoricians, taught to the youth of the higher classes what were esteemed the most valuable accomplishments these were mainly unproductive labourers, but their ample recompense was a source of wealth to their own country In none of these cases was there any accession of The services of wealth to the world. the labourers, if useful, were obtained at a sacrifice to the world of a portion of material wealth, if useless, all that these labourers consumed was, to the world, waste

To be wasted, however, is a liability not confined to unproductive labour Productive labour may equally be wasted if more of it is expended than really conduces to production fect of skill in labourers, or of judgment in those who direct them, causes a misapplication of productive industry, if a farmer persists in ploughing with three horses and two men, when ex perience has shown that two horses and one man are sufficient, the sur plus labour, though employed for pur poses of production, is wasted. new process is adopted which proves no better, or not so good as those before in use, the labour expended in perfect-

into practice, though employed for a productive purpose, 18 wasted. ductive labour may render a nation poorer, if the wealth it produces, that is, the increase it makes in the stock of useful or agreeable things, be of a kind not immediately wanted when a commodity is unsaleable, be cause produced in a quantity beyond the present demand or when specula tors build docks and warehouses before The bankrupt there is any trade states of North America, with their premature railways and canals, have made this kind of mistake, and it was for some time doubtful whether England, in the disproportionate de velopment of railway enterprise, had not, in some degree, followed the Labour sunk in expectation example of a distant return, when the great exigencies or limited resources of the community require that the return be rapid, may leave the country not only poorer in the meanwhile, by all which those inbourers consume, but less rich even ultimately than if iminediate returns had been sought in the first instance, and enterprises for distant profit postponed,

§ 5 The distinction of Productive) and Unproductive is applicable to consumption as well as to labour All the members of the community are not labourers, but all are consumers, and consume either unproductively or productively Whoever contributes nothing directly or indirectly to produc tion, is an unproductive consumer The only productive consumers are productive labourers, the labour of direction being of course included, as well as that of execution But the consumption even of productive labour ers is not all of it productive consump-There is unproductive consumption by productive consumers. What they consume in keeping up or improving their health, strength, and capacities of work, or in rearing other productive inbourers to succeed them, is productive consumption But con sumption on pleasures or luxuries, ? whether by the idle or by the indusing the invention and in carrying it | trious, since production is neither its

Sobject not is in any way advanced by lit, must be reckoned unproductive with a reservation perhaps of a certain quantum of enjoyment which may be classed among necessaries, since anything short of it would not be consistent with the greatest efficiency of labour That alone is productive consumption. which goes to maintain and increase the productive powers of the commumity, either those residing in its soil, in its materials, in the number and efficiency of its instruments of produc-

tion, or in its people

There are numerous products which may be said not to admit of being con sumed otherwise than unproductively The annual consumption of gold lace, pine apples, or champagne, must be reckoned unproductive, since these things give no assistance to production, nor any support to life or strength, but what would equally be given by things much less costly Hence it might be supposed that the labour employed in producing them ought not to be regarded as productive, in the sense in which the term is understood by political economists. I grant that no labour tends to the permanent enrich ment of society, which is employed in producing things for the use of unpro-The tailor who ductive consumers makes a coat for a man who produces nothing, is a productive labourer, but in a few weeks or months the coat is worn out, while the wearer has not produced anything to replace it, and the community is then no richer by the labour of the tailor, than if the same sum had been paid for a stall at the Nevertheless, society has been richer by the labour while the coat lasted, that is, until society, through one of its unproductive members, chose to consume the produce of the labour The case of the gold unproductively lace or the pine apple is no further different, than that they are still further removed than the coat from the character of necessaries These things also are wealth until they have been consumed

§ 6 We see, however, by this, that there is a distinction, more important

to the wealth of a community than even that between productive and un productive labour, the distinction, namely, between labour for the supply of productive, and for the supply of unproductive, consumption, between labour employed in keeping up or in adding to the productive resources of the country, and that which is em ployed otherwise Of the produce of the country, a part only is destined to be consumed productively, the remainder supplies the unproductive con sumption of producers, and the entire consumption of the unproductive classes Suppose that the proportion of the annual produce applied to the first pur pose amounts to half, then one half the productive labourers of the country are all that are employed in the operations on which the permanent wealth of the country depends The other half are occupied from year to year and from generation to generation in producing things which are consumed and disappear without return, and whatever this half consume is as completely lost, as to any permanent effect on the national resources, as if it were con sumed unproductively Suppose that this second half of the labouring popu lation ceased to work, and that the government or their parishes maintained them in idleness for a whole year the first haif would suffice to produce, as they had done before, their own necessaries and the necessaries of the second half, and to keep the stock of materials and implements undi minished the unproductive classes, indeed, would be either starved or obliged to produce their own subsist ence, and the whole community would be reduced during a year to bare necessames, but the sources of production would be unimpaired, and the next year there would not necessarily be a smaller produce than if no such interval of mactivity had occurred, while if the case had been reversed, if the first half of the labourers had suspended their accustomed occupations, and the second half had continued theirs, the country at the end of the twelvementh would have been entirely impoverished. It would be a great error to regret

the large proportion of the annual produce, which in an opulent country goes to supply unproductive consumption. It would be to lament that the community has so much to spare from its necessities, for its pleasures and for all higher uses. This portion of the produce is the fund from which all the wants of the community, other than that of mere living, are provided for, the measure of its means of enjoyment, and of its power of accomplishing all purposes not productive. That so great

a surplus should be available for such purposes, and that it should be applied to them, can only be a subject of congratulation. The things to be regretted, and which are not incapable of being remedied, are the productions inequality with which this surplus is distributed, the little worth of the objects to which the greater part of it is devoted, and the large share which falls to the lot of persons who render no equivalent service in return.

CHAPTER IV

OF CAPITAL

§ 1 It has been seen in the preceding chapters that besides the pri mary and universal requisites of production, labour and natural agents, there is another requisite without which no productive operations beyond the rude and scanty beginnings of primitive · industry, are possible namely, a stock, previously accumulated, of the products of former labour This accumulated , stock of the produce of labour is termed The function of Capital in production, it is of the utmost importance thoroughly to understand, since a number of the erroneous notions with which our subject is infested, originate in an imperfect and confused appre hension of this point

Capital, by persons wholly unused to reflect on the subject, is supposed to be synonymous with money To ex pose this misapprehension, would be to repeat what has been said in the introductory chapter Money is no more synonymous with capital than it is with wealth. Money cannot in itself perform any part of the office of capital, since it can afford no assistance to production To do this, it must be exchanged for other things, and anything, which is susceptible of being exchanged for other things, is capable of contributing to production in the |same degree What capital does for l

production, is to afford the shelter, protection, tools and materials which the work requires, and to feed and otherwise maintain the labourers during the process. These are the services which present labour requires from past, and from the produce of past, labour. Whatever things are destined for this use—destined to supply productive labour with these various prefequisites—are Capital.

To familiarize ourselves with the conception, let us consider what is done with the capital invested in any of the branches of business which compose the productive industry of a country A manufacturer, for example, has one part of his capital in the form of buildings, fitted and destined for carrying on his branch of manufacture Another part he has in the form of machinery A third consists, if he be a spinner, of raw cotton, flax, or wool, if a weaver, of flaxen, woollen, silk, or cotton, thread, and the like, according to the nature of the manufacture Food and clothing for his operatives, it is not the custom of the present age that he should directly provide, and few capitalists, except the producers of food or clothing, have any portion worth mentioning of their capital in that shape Instead of this, each capitalist has money, which he pays to

his workpeople, and so enables them to supply themselves he has also finished goods in his warehouses, by the sale of which he obtains more money, to em ploy in the same manner, as well as to replenish his stock of materials, to keep his buildings and machinery in repair, and to replace them when worn His money and finished goods, however, are not wholly capital, for he does not wholly devote them to these purposes he employs a part of the one, and of the proceeds of the other, in supplying his personal consumption and that of his family, or in hiring grooms and valets, or maintaining hunters and hounds, or in educating his children, or in paying taxes, or in charity What then is his capital? Precisely that part of his possessions, whatever it be, which is to constitute his fund for carrying on fresh produc-It is of no consequence that a part, or even the whole of it, is in a torm in which it cannot directly supply the wants of labourers

Suppose, for instance, that the capitalist is a hardware manufacturer, and that his stock in trade, over and above his machinery, consists at present wholly in iron goods Iron goods cannot feed labourers Nevertheless, by a mere change of the destination of these iron goods, he can cause labourers to be fed Suppose that with a portion of the proceeds he intended to maintain a pack of hounds, or an establishment of servants, and that he changes his intention, and employs it in his busi ness, paying it in wages to additional These workpeople are workpeople enabled to buy and consume the food which would otherwise have been con sumed by the hounds or by the ser vants, and thus without the employer's having seen or touched one particle of the food, his conduct has determined that so much more of the food existing in the country has been devoted to the use of productive labourers, and so much less consumed in a manner wholly unproductive Now vary the hypothesis, and suppose that what is thus paid in wages would otherwise have been laid out not in feeding servants or hounds, but in buying plate

and jewels, and in order to render the effect perceptible, let us suppose that the change takes place on a considera ble scale, and that a large sum is diverted from buying plate and jewels to employing productive labourers, whom we shall suppose to have been previously, like the Irish peasantry. only half employed and half fed labourers, on receiving their increased wages, will not lay them out in plate and jewels, but in food There is not, however, additional food in the country. nor any unproductive labourers or ani mals, as in the former case, whose food is set free for productive purposes Food will therefore be imported if possible, if not possible, the labourers will remain for a season on their short allowance but the consequence of this change in the demand for commodities, occasioned by the change in the expenditure of the capitalists from unproductive to productive, is that next year more food will be produced, and less plate and jewellery again, without having had anything to do with the food of the labourers directly, the conversion by individuals of a portion of their property, no matter of what sort, from an unproductive destination to a productive, has had the effect of causing more food to be appropriated to the consumption of productive labourers The distinction, then, between Capital and Not-capital, does not lie in the kind of commodities, but in the mind of the capitalist-in his will to employ them for one purpose rather than another, and all property, however ill adapted in itself for the use of labourers, is a part of capital, so soon as it, or the value to be received from it, is set apart for productive re-The sum of all the values investment so destined by their respective posses \ sors, composes the capital of the country Whether all those values are in a shape directly applicable to productive uses, Their shape, makes no difference whatever it may be, is a temporary accident, but, once destined for production, they do not fail to find a way of transforming themselves into things capable of being applied to it

As whatever of the produce of the country is devoted to production is capital, so, conversely, the whole of the capital of the country is devoted to This second proposition, production however, must be taken with some A fund limitations and explanations Imny be seeking for productive employment, and find none, adapted to the inclinations of its possessor it then is capital still, but unemployed capital Or the stock may consist of unsold goods, not susceptible of direct application to productive uses, and not, at the moment, marketable these, until sold, are in the condition of unemployed Again, artificial or accidental circumstances may render it necessary to possess a larger stock in advance, that is, a larger capital before entering on production, than is required by the Suppose that the nature of things government lays a tax on the production in one of its earlier stages, as for instance by taxing the material manufacturer has to advance the tax, before commencing the manufacture, and is therefore under a necessity of having a larger accumulated fund than is required for, or is actually employed in, the production which he carries on He must have a larger capital, to maintain the same quantity of produc tive labour, or (what is equivalent) with a given capital he maintains less This mode of levying taxes, tuere ore, limits unnecessarily the in dustry of the country a portion of the fund destined by its owners for production being diverted from its purpose, and kept in a constant state of advance to the government

For anothe, example a farmer may enter on his farm at such a time of the year, that he may be required to pay one, two, or even three quarters' rent before obtaining any return from the produce This, therefore, must be paid out of his capital. Now rent, when paid for the land itself, and not for improvements made in it by labour, is not an outlay for the support of labour, or for the provision of implements or materials the produce of labour. It is the price paid for the use of an appro

This natural priated natural agent agent is indeed as indispensable (and even more so) as any implement but the having to pay a price for it, is not. In the case of the implement (a thing produced by labour) a price of some sort is the necessary condition of its existence but the land exists by The payment for it, therefore, nature is not one of the expenses of production, and the necessity of making the payment out of capital, makes it requi site that there should be a greater capital, a greater antecedent accumulation of the produce of past labour, than is naturally necessary, or than is nceded where land is occupied on a different system This extra capital, though intended by its owners for production, is in reality employed unproductively, and annually replaced, not from any produce of its own, but from the produce of the labour supported bthe remainder of the farmer's capital

Finally, that large portion of the productive capital of a country which is employed in paying the wages and salaries of labourers, evidently is not, all of it, strictly and indispensably necessary for production As much of it as exceeds the actual necessaries of life and health (an excess which in the case of skilled labourers is usually con siderable) is not expended in supporting labour, but in remunerating it, and the labourers could wait for this part of their remuneration until the production is completed it needs not necessarily pre exist as capital and if they un fortunately had to forego it altogether, the same amount of production might take place In order that the whole remuneration of the labourers should be advanced to them in daily or weekly payments, there must exist in advance, and be appropriated to productive use a greater stock, or capital, than would suffice to carry on the existing extent of production greater, by whatever amount of remuneration the labourers receive, beyond what the self interest of a prudent slave-master would assign to his slaves. In truth, it is only after an abundant capital had already been accumulated, that the practice of pay ing in advance any remuneration of labour beyond a bare subsistence, could possibly have arisen—since whatever is so paid, is not really applied to production, but to the unproductive consumption of productive labourers, indicating a fund for production sufficiently ample to admit of habitually diverting a part of it to a mero convenience

It will be observed that I have assumed, that the labourers are always subsisted from capital and this is obviously the fact, though the capital needs not necessarily be furnished by a person called a capitalist When the labourer maintains himself by funds of his own, as when a peasant-farmer or proprietor lives on the produce of his land, or an artisan works on his own account, they are still supported by capital, that is, by funds provided in advance The peasant does not subsist this year on the produce of this year's harvest, but on that of the last artisan is not living on the proceeds of the work he has in hand, but on those of work previously executed and dis posed of Each is supported by a small capital of lus own, which he periodically replaces from the produce of his labour The large capitalist is, in like manner, maintained from funds provided in advance If he personally conducts ms operations, as much of his personal or household expenditure as does not exceed a fair remuneration of his labour at the market price, must be considered a part of his capital, expended, like any other capital, for production and his personal consumption, so far as it con sists of necessaries, is productive con sumption

At the risk of being tedious, I must add a few more illustrations, to bring out into a still clearer and stronger light the idea of Capital. As M Say truly remarks, it is on the very elements of our subject that illustration is most usefully bestowed, since the greatest errors which prevail in it may be traced to the want of a thorough mastery over the elementary ideas Nor is this surprising a branch may be diseased and all the rest healthy, but unsound ness at the root diffuses unhealthiness through the whole tree

Let us therefore consider whether, and in what cases, the property of those who live on the interest of what they possess, without being personally en gaged in production, can be regarded as capital It is so called in common language, and, with reference to the individual, not improperly All funds, from which the possessor derives an income, which income he can use without sinking and dissipating the fund itself, are to him equivalent to capital. to transfer hastily and inconsiderately to the general point of view, proposi tions which are true of the individual, has been a source of innumerable errors in political economy present instance, that which is virtually capital to the individual, is or is not! capital to the nation, according as the fund which by the supposition he has not dissipated, has or has not been dis 4 sipated by somebody else

For example, let property of the value of ten thousand pounds belonging to A, be lent to B, a farmer or manufacturer, and employed profitably in B's occupation It is as much capital as if it belonged to B A is really a farmer or manufacturer, not personally, but in respect of his property Capital worth ten thousand pounds is employed in production—in maintaining labourers and providing tools and materials, which capital belongs to A, while B takes the trouble of employing it, and receives for his remuneration the dif ference between the profit which it yields and the interest he pays to A This is the simplest case

Suppose next that A's ten thousand nounds, instead of being lent to B, are lent on mortgage to C, a landed proprietor, by whom they are employed in improving the productive powers of his estate, by fencing, draining, road making, or permanent manures productive employment The ten thousand pounds are sunk, but not dissipated They yield a permanent return, the land now affords an increase of produce, sufficient, in a few years, if the outlay has been judicious, to replace the amount, and in time to multiply it Here, then, is a value of manıfold ten thousand pounds, employed in in

creasing the produce of the country This constitutes a capital, for which C, if he lets his land, receives the returns in the nominal form of increased rent, and the mortgage entitles A to receive from these returns, in the shape of in terest, such annual sum as has been agreed on We will now vary the cir cumstances, and suppose that C does not employ the loan in improving his land, but in paying off a former mort gage, or in making a provision for Whether the ten thousand pounds thus employed are capital or not, will depend on what is done with the amount by the ultimate receiver If the children invest their fortunes in a productive employment, or the mortgagee on being paid off lends the amount to another landholder to im prove his land, or to a manufacturer to extend his business, it is still capital, because productively employed.

Suppose, however, that C, the bor rowing landlord, is a spendthrift, who burdens his land not to increase his fortune but to squander it, expending the amount in equipages and entertain In a year or two it is dissi pated, and without return A is as nch as before, he has no longer his ten thousand pounds, but he has a hen on the land, which he could still sell for that amount C, however, is 10,000l poorer than formerly, and nobody 18 richer It may be said that those are richer who have made profit out of the money while it was being spent. No doubt if C lost it by gaming, or was cheated of it by his servants, that is a mero transfer, not a destruction, and those who have gained the amount may employ it productively But if C has received the fair value for his expendi ture in articles of subsistence or luxury. which he has consumed on himself, or by means of his servants or guests, these articles have ceased to exist, and nothing has been produced to replace them while if the same sum had been employed in farming or manufacturing, the consumption which would have taken place would have been more than balanced at the end of the year by new products, created by the labour of those who would in that case have been the

By C's prodigality, that consumers which would have been consumed with a return, is consumed without return C's tradesmen may have made a profit during the process, but if the capital had been expended productively. equivalent profit would have been made by builders, fencers, tool makers, and the tradespeople who supply the con sumption of the labouring classes, while at the expiration of the time (to say nothing of any increase), C would have had the ten thousand pounds or its value replaced to him, which now he There is, therefore, on the general result, a difference to the disadvantage of the community, of at least ten thousand pounds, being the amount of C's unproductive expenditure A, the difference is not material, since his income is secured to him, and while the security is good, and the market rate of interest the same, he can always sell the mortgage at its original value To A, therefore, the lien of ten thou sand pounds on C's estate, is virtually a capital of that amount, but is it so in reference to the community? It is A had a capital of ten thousand pounds, but this has been extinguished —dissipated and destroyed by C's prodigality A now receives his income, not from the produce of his capital, but from some other source of income be longing to C, probably from the rent of his land, that is, from payments made to him by farmers out of the produce of their capital. The national capital is diminished by ten thousand pounds, and the national income by all which those ten thousand pounds, employed as capital, would have produced loss does not fall on the owner of the destroyed capital, since the destroyer has agreed to indemnify him for it. But his loss is only a small portion of that sustained by the community, since what was devoted to the use and con sumption of the proprietor was only the interest, the capital itself was, or would have been, employed in the per petual maintenance of an equivalent number of labourers, regularly reproducing what they consumed and of this maintenance they are deprived without compensation

further, and suppose that the money is the payment, it is lost and gone and borrowed, no by a landlord, but by the what he now possesses is a claim on the S ate. A lends his cap tal to Goremthe State what are called government! securities, that is, of ligations on the t government to pay a certam annual in-If the government employed; the mone in making a railroad, this might be a productive employment, and A's property would still be used as capital; but since it is employed in war, that is, in the pay of officers and soldiers who preduce nothing and in destroying a quantity of ganpowder and builets without return, the government, is in the situation of C, the spendthrift ' lardlord, and A s ten thousand pounds ' are so much national capital which' ence existed, but exists no langer. virtually thrown into the sea, as far as trealth or production is concerned, capital of the country was made when though for other reasons the employ- the government spent A's money ment of it may have been justifiable | whereby a value of ten thousand pounds A's subsequent income is derived, not was withdrawn or withheld from pro-from the produce of his own capital, but | ductive employment, placed in the fund from taxes drawn from the produce of for unproductive consumption, and dethe remaining capital of the commulationed without equivalent nity, to whom his capital is not yield-

Let us now vary the hypothesis still ! ing any return, to indemnify them for returns to other people's capital and in dustry. This claim he can sell, and get back the equivalent of his cap tal, which he may afterwards employ productively True but he does not get back his own capital, or anything which it has produced, that, and all its possible returns, are extinguished what he gets is the capital of some other per son, which that person is willing to exchange for his hen on the taxes other capitalist substitutes himself for A as a mortgagee of the public, and A subctitutes himself for the other capitalist as the possessor of a fund employed in production, or available for it By this exchange the productive powers of the community are neither increased The breach in the nor dimmished. capital of the country was made when

CHAPTER V.

FUNDAMENTAL PROPOSITIONS PUSPECTING CAPITAL

have answered their purpose, they have | speech, but to see a truth occasionally given not only a sufficiently complete possession of the idea of Capital around ing to its definition, but a sufficient familiarity with it in the concrete, and amidst the obscurity with which the complication of individual circumstances surrounds it, to have prepared even the unpractised reader for certain elemenary propositions or theorems respecting capital, the full comprehension of which

§ . If the preceding explanations granted in many common forms of is one thing to recognise it habitually, and admit no propositions inconsistent with it, is another The axiom was until lately almost universally disregarded by legislators and political -res, and doctrues rreconcileable with it are still very commonly professed and inculcated

The following are common exprescapital, the full comprehension of which 'sons, impiving its stream of a particular em is already a considerable step out of directing industry to a particular em progression to both progression of progression in progression in the employment sions, implying its truth. The act of The first of these propositions is, "applying capital" to the employment That industry is limited by capital. To employ industry on the land is to this is so obvious as to be taken for apply capital to the land. To employ

labour in a manufacture is to invest capital in the manufacture This im plies that industry cannot be employed to any greater extent than there 18 capital to invest The proposition, in deed, must be assented to as soon as it is distinctly apprehended. pression "applying capital" 18 course metaphorical what is really applied is labour, capital being an in dispensable condition Again, we often speak of the "productive powers of capital." This expression is not lite rally correct The only productive powers are those of labour and natural agents, or if any portion of capital can by a stretch of language be said to have a productive power of its own, it is only tools and machinery, which, like 1 wind or water, may be said to co-ope rate with labour The food of labourers and the materials of production have no productive power, but labour cannot exert its productive power unless pro-There can be no anded with them whore industry than is supplied with materials to work up and food to eat Self-evident as the thing is, it is often forgotten that the people of a country are mainthined and have their wants supplied, not by the produce of present They consume labour, but of past what has been produced, not what is about to be produced Now, of what has been produced, a part only is allotted to the support of productive labour, and there will not and cannot be more of that labour than the nor tion so allotted (which is the capital of the country) can feed, and provide with the materials and instruments of production

Yet, in disregard of a fact so evident, it long continued to be believed that laws and governments, without creating capital, could create industry Not by making the people more laborious, or increasing the efficiency of their labour, these are objects to which the government can, in some degree, indirectly contribute. But without any increase in the skill or energy of the labourers, and without causing any persons to labour who had previously been maintained in idleness, it was still thought that the govern

ment, without providing additioned funds, could create additional employ A government would, by proment hibitory laws, put a stop to the impor tation of some commodity, and when by this it had crused the commodity to be produced at home, it would plume itself upon having enriched the country with a new branch of industry, would parade in statistical tables the amount of produce yielded and labour em ployed in the production, and take credit for the whole of this as a gala to the country, obtained through the prohibitory law Although this sort of political arithmetic has fallen a little into discredit in England, it still flourishes in the nations of Continental Had legislators been aware that industry is limited by capital, they would have seen that, the aggregate capital of the country not having been increased, any portion of it which they by their laws had caused to be embarked in the newly acquired branch of industry must have been withdrawn or withheld from some other, in which it gave, or would have given, employ ment to probably about the same quan tity of labour which it employs in its new occupation *

* An exception must be admitted when the industry created or upheld by the restrictive law belongs to the class of what are called domestic manufactures. These being carried on by persons already fed—by labouring families in the intervals of other employment—no transfer of capital to the occupation is necessary to its being under taken beyond the value of the materials and tools, which is often inconsiderable II, therefore a protecting duty causesthis occupation to be carried on, when it otherwise would not there is in this case a real increase of the production of the country

In order to render our theoretical proposition invulnerable this peculiar case must be allowed for but it does not touch the practical doctrine of free trade. Domestic manufactures cannot, from the very nature of things, require protection since the subsistence of the labourers being provided from other sources, the price of the product, how ever much it may be reduced is nearly all clear gain. If therefore the domestic producers retire from the competition it is never from necessity, but because the product is not worth the labour it costs, in the opinion of the best judges those who enjoy the one and undergo the other. They prefer the sacrifice of buying their clothing to the labour of making it.

Because industry is limited by 1 capital, we are not however to infer that it always reaches that limit may be temporarily unemployed, as in the case of unsold goods, or funds that have not yet found an investment, during this interval it does not set in motion any industry. Or there may not be as many labourers obtainable, as the capital would maintain and em-This has been known to occur in new colonies, where capital has sometimes perished uselessly for want of labour the Swan River settlement (now called Western Australia), in the first years after its foundation, was an instance There are many persons maintained from existing capital, who produce nothing, er who might produce much more than they do labourers were reduced to lower wages. or induced to work more hours for the same wages, or if their families, who are already maintained from capital, were employed to a greater extent than they now are in adding to the produce, a given capital would afford employment to more industry unproductive consumption of productive labourers, the whole of which is now supplied by capital, might cease, or be postponed until the produce came in, and additional productive labourers might be maintained with By such means society the amount might obtain from its existing resources a greater quantity of produce and to such means it has been driven, when the sudden destruction of some large portion of its capital rendered the employment of the remainder with the greatest possible effect, a matter of paramount consideration for the time

Where industry has not come up to the limit imposed by capital, governments may, in various ways, for example by importing additional labourers, bring it nearer to that limit as by the importation of Coolies and free Negroes into the West Indies There is another way in which governments can create additional industry. They can create capital They may lay on

their labour unless society will give them more for it, than in their own opinion its product is worth

taxes, and employ the amount product They may do what is nearly equivalent, they may lay taxes on income or expenditure, and apply the proceeds towards paying off the public The fundholder, when paid off, would still desire to draw an income from his property, most of which therefore would find its way into productive employment, while a great part of it would have been drawn from the fund for unproductive expenditure, since people do not wholly pay their taxes from what they would have saved, but partly, if not chiefly, from what they would have spent It may be added, that any increase in the productive power of capital (or, more properly speaking, of labour) by improvements in the arts of life, or otherwise, tends to increase the employment for labour, since, when there is a greater produce; altogether, it is always probable that some portion of the increase will be saved and converted into capital, especially when the increased returns to productive industry hold out an additional temptation to the conver sion of funds from an unproductive destination to a productive

While, on the one hand, in dustry is limited by capital, so on the other, every increase of capital gives, or is capable of giving, additional em ployment to industry, and this without assignable limit. I do not mean to deny that the capital, or part of it, may be so employed as not to support labourers, being fixed in machinery, buildings, improvement of land, and the In any large increase of capital a considerable portion will generally be thus employed, and will only co-operate with labourers, not maintain them What I do intend to assert is, that the portion which is destined to their maintenance, may (supposing no altera tion in anything else) be indefinitely increased, without creating an impossibility of finding them employment in other words, that if there are human beings capable of work, and food to feed them, they may always be em ployed in producing something proposition requires to be somewhat

it is exceedingly easy to assent to when presented in general terms, but somewhat difficult to keep fast hold of, in the crowd and confusion of the actual facts of society It is also very much opposed to common doctrines There is not an opinion more general among mankind than thus, that the tunproductive expenditure of the rich is necessary to the employment of the Before Adam Smith, the doctrine had hardly been questioned, and even since his time, authors of the highest name and of great ment∗ have continued, that if consumers were to erve and convert into capital more than a limited portion of their income, and were not to devote to unproductive consumption an amount of means bear ing a certain ratio to the capital of the country the extra accumulation would be merely so much naste, since there would be no market for the commodities which the capital so created rould produce I concerve this to be one of the many errors arising in political economy, from the practice of not leginting with the evamination of smile on ex but rushing at once into the complexity of concrete phenomena I very one can see that if a benevo lent procument possessed all the food, of the community, it could exact pro ductive labour from all capable of it, to whom it allowed a share in the food, and could be in no danger of wanting # frid f " the employment of this productive bileiur, since na long ne there was a single want unsaturated (which risteral chair a could supply), of any em related the labour of the commucify could be furned to the produc guifefire to effected but it is a trace of Next, the individual pothat wrat pers rect capital when ther add to it by fre h seem ilstiens, are doing pre e's le the same thug which we sup

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di elt upon, being one of those which I came to be of outnion that not being more mentonous than a well-conducted Inbourer, he ought not to fare better, and accordingly laid by, from conscientious motives, the surplus of his profits, or suppose this abstinence not sponta neous, but imposed by law or opinion upon all capitalists, and upon land Unproductive ex owners likewise pend are is now reduced to its lowest limit and it is asked, how is the in creased capital to find employment? Who is to buy the goods which it will produce? There are no longer customers even for those which were produced before The goods, therefore, (it is said) will remain unsold, they will perish in the worehouses, until capital is brought down to what it was originally, or rather to as much less, as the demand of the consumers has lessened But this is seeing only one half of the matter. In the case supposed, there would no longer be any demand for luxures, on the part of capitalists and landowners when these classes turn their in come into capital, they do not thereby annihilate their power of consumption. they do but transfer it from themselves to the labourers to whom they give employment Now, there are two possible suppositions in regard to the and all the implements and materials, I labourers, either there is, or there is not, an increase of their numbers, proportional to the increase of capital there is the case offers no difficulty The production of necessaries for the new population, tal es the place of the production of luxures for a portion of the old, and supplies exactly the amount of employment which has been But suppose that there is no in crease of population The whole of what was proviously experded luxures, by capitalists and landlords, is distributed among the existing labourers, in the form of additional vages. We will assume them to be already sufficiently supplied with necesis it ex allowable to put any What follows? That the rance labourers become consumers of luxu nes, and the capital previously em ployed in the production of luxuries, in still able to employ itself in the same manner the difference being, that the

luxures are shared among the community generally, instead of being confined to a few The increased accumu lation and increased production might, rigorously speaking, continue, until every labourer had every indulgence of wealth, consistent with continuing to work, supposing that the power of their labour were physically sufficient to produce all this amount of indulgences for their whole number Thus the limit of wealth is never deficiency of consumers, but of producers and productive power Every addition to capital gives to labour either additional employment, or additional remunera tion, enriches either the country, or the labouring class. If it finds addi tional hands to set to work, it increases the aggregate produce if only the same hands, it gives them a larger share of it, and perhaps even in this case, by stimulating them to greater exertion, augments the produce itself

\$4 A second fundamental theorem respecting Capital, relates to the source from which it is derived. It is the result of saving. The evidence of this lies abundantly in what has been already said on the subject. But the proposition needs some further illustration.

If all persons were to expend in personal indulgences all that they produce, and all the ancome they receive from what is produced by others, capital All capital, with a could not increase trifling exception, was originally the I say, with a trilling result of saving exception, because a person who labours on his own account, may spend on his own account all he produces, without becoming destitute, and the provision of necessaries on which he subsists until he has reaped his harvest, or sold his commodity, though a real capital, cannot be said to have been saved, since it is all used for the supply of his own wants, and perhaps as speedily as if it had been consumed in We may imagine a number of individuals or families settled on as many separate pieces of land, each aving on what their own labour proluces, and consuming the whole produce But even these must save (that,) 18, spare from their personal consump.\ tion) as much as is necessary for seed ; Some saving, therefore, there must have been, even in this simplest of all states of economical relations, people must have produced more than they used, or used less than they produced more must they do so before they can employ other labourers, or increase their production beyond what can be accomplished by the work of their own hands All that any one employs in supporting and carrying on any other labour than his own, must have been originally brought together by saving, somebody must have produced it and forborne to consume it We may say, therefore, without material inaccuracy, that all capital, and especially all addition to capital, are the result of saving In a rude and violent state of society,

it continually happens that the person who has capital is not the very person who has saved it, but some one who, being stronger, or belonging to a more powerful community, has possessed himself of it by plunder And even in a state of things in which property was protected, the increase of capital has usually been, for a long time, mainly derived from privations which, though essentially the same with saving, are not generally called by that name, be cause not voluntary The actual producers have been slaves, compelled to produce as much as force could extort from them, and to consume as little as the self-interest or the usually very slender humanity of their taskmasters This kind of compul would permit sory saving, however, would not have caused any increase of capital, unless a part of the amount had been saved over again, voluntarily, by the master If all that he made his slaves produce and forbear to consume, had been consumed by him on personal indulgences, he would not have increased his capital, nor been enabled to maintain an in creasing number of slaves To main tain any slaves at all, implied a previous saving, a stock, at least of food, provided in advance. This saving may not, however, have been made by any self imposed privation of the master,

but more probably by that of the slaves themselves while free, the rapine or war, which deprived them of their per sonal liberty, having transferred also their accumulations to the conqueror

There are other cases in which the term saving, with the associations usu ally belonging to it, does not exactly lfit the operation by which capital is increased. If it were said, for instance, that the only way to accelerate the in crease of capital is by increase of saving, the idea would probably be suggested of greater abstinence, and increased privation But it is obvious that what ever increases the productive power of labour, creates an additional fund to make savings from, and enables capital to be enlarged not only without addi tional privation, but concurrently with an increase of personal consumption Nevertheless, there is here an increase of saving, in the scientific sense Though there is more consumed, there is also more spared. There is a greater excess of production over consumption It is consistent with correctness to call Though the thus a greater saving term is not unobjectionable, there is no other which is not liable to as great objections To consume less than is produced, is saving, and that is the process by which capital is increased, not necessarily by consuming less, ab-We must not allow ourselves solutely to be so much the slaves of words, as to be unable to use the word saving in this sense, without being in danger of forgetting that to increase capital there is another way besides consuming less. amely, to produce more.

§ 5 A third fundamental theorem respecting Capital, closely connected with the one last discussed, is, that although saved, and the result of saving, it is nevertheless consumed. The word saving does not imply that what is saved is not consumed, nor even necessarily that its consumed immediately, it is not consumed by the person who saves it. If merely laid by for future use, it is said to be hoarded, and while hoarded, is not consumed at all. But if employed as

capital, it is all consumed, though not by the capitalist Part 18 exchanged for tools or machinery, which are worn out by use part for seed or materials, which are destroyed as such by being sown or wrought up, and destroyed al together by the consumption of the The remainder is ultimate product paid in wages to productive labourers, who consume it for their daily wants, or if they in their turn save any part, this also is not, generally speaking, hoarded, but (through savings hanks, benefit clubs, or some other channel) re-em ployed as capital, and consumed.

The principle now stated is a strong example of the necessity of attention to the most elementary truths of our subicct for it is one of the most elementary of them all, and yet no one who has not bestowed some thought on the matter is habitually aware of it, and most are not even willing to admit it when first stated. To the vulgar, it is, not at all apparent that what is saved is consumed. To them, every one who saves, appears in the light of a person who hoards, they may think such con duct permissible, or even landable, when it is to provide for a family, and the like, but they have no conception of it } as doing good to other people saving is to them another word for keeping al thing to oneself, while spending appears to them to be distributing it among others The person who ex pends lus fortune in unproductive con sumption, is looked upon as diffusing benefits all around, and is an object of so much favour, that some portion of the same popularity attaches even to him who spends what does not belong to him, who not only destroys his own capital, if he ever had any, but, under pretence of borrowing, and on promise of repayment, possesses him self of capital belonging to others, and destroys that likewise.

This popular error comes from attending to a small portion only of the consequences that flow from the saving or the spending, all the effects of either which are out of sight, being out of mind. The eye follows what is saved, into an imaginary strong box, and there tloses sight of it, what is spent, it fol.)

lows into the hands of tradespeople and dependents, but without reaching the ultimate destination in either case Saving (for productive investment), and spending, coincide very closely in the ffirst stage of their operations The effects of both begin with consumption, with the aestruction of a certain portion of wealth, only the things consumed, and the persons consuming, are different There is, in the one case, a wearing out 3 of tools, a destruction of material, and a quantity of food and clothing supplied to labourers, which they destroy by use, in the other case, there is a consump tion, that is to say, a destruction, of wines, equipages, and furniture Thus far, the consequence to the national wealth has been much the same, an equivalent quantity of it has been destroyed in both cases But in the spending, this first stage is also the final stage, that particular amount of the produce of labour has disappeared, and there is nothing left, while, on the contrary, the saving person, during the whole time that the destruction was going on, has had labourers at work frepairing it, who are ultimistely found to have replaced, with an increase, the equivalent of what has been consumed And as this operation admits of being repented indefinitely without any fresh act of saving, a saving once made becomes a fund to maintain a correspond ing number of labourers in perpetuity; reproducing annually their own mainte nance with a profit

It is the intervention of money which obscures, to an unpractised apprehension, the true character of these pheno-Almost all expenditure being carried on by means of money, the money comes to be looked upon as the main feature in the transaction, and since that does not perish, but only changes hands, people overlook the destruction which takes place in the case of unproductive expenditure money being merely transferred, they think the wealth also has only been handed over from the spendthrift to other people But this is simply con founding money with wealth wealth which has been destroyed was not the money, but the wines, equipages,

and furniture which the money pur chased, and these having been de stroyed without return, society collectively is poorer by the amount. It may be said, perhaps, that wines, equipages, and furniture, are not subsistence, tools, and materials, and could not in any case have been applied to the support of labour, that they are adapted for no other than unproductive consumption. and that the detriment to the wealth of the community was when they were produced, not when they were consumed. I am willing to allow this, as far as is necessary for the argument, and the remark would be very pertinent if these expensive luxuries were drawn from an existing stock, never to be replenished. But since, on the contrary, they continue to be produced as long as there are consumers for them, and are produced in increased quantity to meet an increased demand, the choice made by a consumer to expend five thousand a year in luxuries, keeps a corresponding number of labourers employed from year to year in producing things which can be of no use to production, their services being lost so far as regards the increase of the national wealth, and the tools, materials, and food which they annually consume being so much subtracted from the general stock of the community applicable to productive purposes. In proportion as any class is improvi dent or luxurious, the industry of the country takes the direction of producing luxuries for their use, while not only the employment for productive labourers is diminished, but the subsistence and instruments which are the means of such employment do actually exist in smaller quantity

Saving, in short, enriches, and spending impoverishes, the community along with the individual, which is but saying in other words, that society at large is richer by what it expends in main taining and aiding productive labour, but poorer by what it consumes in its enjoyments.*

^{*} It is worth while to direct attention to several circumstances which to a certain extent diminish the detriment caused to the general wealth by the prodigality of in-

Everything which is protheorem duced is consumed, both what is saved and what is said to be spent, and the A former quite as rapidly as the latter All the ordinary forms of language tend to disguise this When people talk of the ancient wealth of a country, of nches inherited from ancestors, and similar expressions, the idea suggested is, that the riches so transmitted were produced long ago, at the time when they are said to have been first acquired, and that no portion of the capital of the country was produced this year, except as much as may have been this year added to the total The fact is far otherwise amount The greater part, in value, of the wealth now existing in England has been produced by human hands within the last twelve months A very small proportion indeed of that large aggregate was in existence ten years ago, -of the present productive capital of the country scarcely any part, except farm houses and manufactories, and a

dividuals or raise up a compensation more or less ample as a consequence of the detri ment itself One of these is that spend thrifts do not usually succeed in consuming all they spend. Their habitual carelessness fall they spend as to expenditure causes them to be cheated and robbed on all quarters, often by persons of frugal habits Large accumulations are continually made by the agents stewards and even domestic servants, of improvident persons of fortune and they pay much higher prices for all purchases than people of careful habits which accounts for their being popular as customers They are. therefore, actually not able to get into their possession and destroy a quantity of wealth by any means equivalent to the fortune which they dissipate Much of it is merely transferred to others, by whom a part may be exted. Another thing to be observed is that the prodigality of some may reduce others to a forced economy Suppose a sud den demand for some article of luxury caused by the caprice of a prodigal, which not having been calculated on beforehand there has been no increase of the usual supply The price will rise; and may rise beyond the means or the inclinations of some of the habitual consumers who may in con sequence forego their accustomed indulgence and save the amount. If they do not but continue to spend as great a value as before on the commodity the dealers in it obtain, for only the same quantity of the article, a return increased by the whole of what the spendthrift has paid and thus the amount

To return to our fundamental | few ships and machines, and even these would not in most cases have survived so long, if fresh labour had not been employed within that period in putting them into repair The land ! subsists, and the land is almost the only thing that subsists Everything which is produced penshes, and most things very quickly Most Linds of capital are not fitted by their nature to be long preserved There are a few. and but a few productions, capable of a very prolonged existence Westminster Abbey has lasted many cen turies, with occasional repairs, some Grecian sculptures have existed above two thousand years, the Pyramids perhaps double or treble that time ; But these were objects devoted to un productive use If we except bridges and aqueducts (to which may in some countries be added tanks and embank ments), there are few instances of any edifice at plied to industrial purposes which has been of great duration, such buildings do not hold out against wear and tear, nor is it good economy

> which he loses is transferred bodily to them and may be added to their capital his in creased personal consumption being made up by the privations of the other purchasers, who have obtained less than usual of their accustomed gratification for the same equiva-On the other hand, a counter process must be going on somewhere since the prodigal must have diminished his purchases in some other quarter to balance the aug mentation in this he has perhaps called in funds employed in sustaining productive labour, and the dealers in subsistence and in the instruments of production have had com modities left on their hands or have recoived, for the usual amount of commodities, a less than usual return But such losses of income or capital, by industrious persona, except when of extraordinary amount, are generally made up by increased pinching and privation so that the capital of the com munity may not be, on the whole impaired and the prodigal may have had his self indulgence at the expense not of the permanent resources, but of the temporary plea sures and comforts of others. For in every case the community are poorer by what any one spends, unless others are in consequence led to curtail their spending There are yet other and more recondite ways in which the profusion of some may bring about its com pensation in the extra savings of others but these can only be considered in that part of the Fourth Book, which treats of the limiting principle to the accumulation of

to construct them of the solidity necessary for permanency Capital is kept in existence from age to age not by preservation, but by perpetual reproduction every part of it is used and destroyed, generally very soon after it is produced, but those who consume it are employed meanwhile in produc ing more The growth of capital is similar to the growth of population Every individual who is born, dies, but in each year the number born exceeds the number who die the population, therefore, always increases, though not one person of those composing it was alive until a very recent date

This perpetual consumption and reproduction of capital affords the explanation of what has so often excited wonder, the great rapidity with which countries recover from a state of devastation, the disappearance, in a short time, of all traces of the mischiefs done by earthquakes, floods, hurricanes, and the ravages of war An enemy lays waste a country by fire and sword, and destroys or carries away nearly all the moveable wealth existing in it all the inhabitants are ruined, and jet in a few years after, everything is much as This vis medicatrix it was before natura has been a subject of sterile astonishment, or has been cited to ex emplify the wonderful strength of the principle of saving, which can repair such enormous losses in so brief an in terval. There is nothing at all won derful in the matter What the enemy have destroyed, would have been de stroved in a little time by the inhabitants themselves the wealth which they so rapidly reproduce, would have needed to be reproduced and would have been reproduced in any case, and probably in as short a time Nothing is changed, except that during the reproduction they have not now the advantage of consuming what had been produced previously The possibility of a rapid repair of their disasters, mainly depends on whether the country has been depopulated. If its effective population have not been extirpated at the time, and are not starved afterwards, then, with the same skill and great apparent prosperity the wealth,

knowledge which they had before, with their land and its permanent improve ments undestroyed, and the more dur able buildings probably unimpaired, or only partially injured, they have nearly all the requisites for their former amount of production If there is as much of food left to them, or of valu ables to buy food, as enables them by any amount of privation to remain alive and in working condition, they will in a short time have raised as great a produce, and acquired collectively as great wealth and as great a capital, as before, by the mere conti nuance of that ordinary amount of ex ertion which they are accustomed to employ in their occupations Nor does this evince any strength in the princi ple of saving, in the popular sense of the term, since what takes place is not intentional abstinence, but involuntary privation

Yet so fatal is the habit of thinking through the medium of only one set of technical phrases, and so little reason have studious men to value themselves on being exempt from the very same mental infirmities which beset the vul gar, that this simple explanation was never given (so far as I am aware) by any political economist before Dr Chalmers, a writer many of whose opinions I think erroneous, but who has always the ment of studying phenomena at first hand, and expressing them in a language of his own, which often un covers aspects of the truth that the re cerved phraseologies only tend to hide

§ 8 The same author carries out this train of thought to some important conclusions on another closely connected. subject, that of government loans for nar purposes or other unproductive ex These loans, being drawn penditure from capital (in lieu of taxes, which would generally have been paid from income, and made up in part or altogether by increased economy) must, according to the principles we have laid down, tend to impoverish country yet the years in which expenditure of this sort has been on the greatest scale, have often been years of

and resources of the country, instead of diminishing, have given every sign of rapid increase during the process, and of greatly expanded dimensions after This was confessedly the tits close case with Great Britain during the last long Continental war, and it would take some space to enumerate all the unfounded theories in political economy, to which that fact gave rise, and to which it secured temporary credence, almost all tending to exalt unproductive expenditure, at the expense of pro-Without entering into all the causes which operated, and which commonly do operate, to prevent these extraordinary drafts on the productive resources of a country from being so much felt as it might seem reasonable to expect, we will suppose the most unfavourable case possible that the whole amount borrowed and destroyed by the government, was abstracted by the lender from a productive employ ment in which it had actually been in The capital, therefore, of the country, is this year diminished by so But unless the amount abstructed is something enormous, there is no reason in the nature of the case why next year the national capital should not be as great as ever loan cannot have been taken from that portion of the capital of the country which consists of tools, machinery, and buildings. It must have been wholly drawn from the portion employed in paying labourers and the labourers will suffer accordingly But if none of them are starved, if their wages can bear such an amount of reduction, or f charity interposes between them and absolute destitution, there is no reason that their labour should produce less in the next year than in the year If they produce as much as usual, having been paid less by so many millions sterling, these millions are gained by their employers. The breach made in the capital of the country is thus instantly repaired, but repaired by the privations and often the real misery of the labouring class Here is ample reason why such periods. even in the most unfavourable circumstances, may easily be times of great

gain to those whose prosperity usually passes, in the estimation of society, for

national prosperity *

This leads to the vexed question to which Dr Chalmers has very particu larly adverted, whether the funds required by a government for extraordinary unproductive expenditure, are best raised by loans, the interest only being provided by taxes, or whether taxes should be at once laid on to the whose amount, which is called in the financial vocabulary, raising the whole of the supplies within the year Dr Chalmers is strongly for the latter method. He says, the common notion is that in calling for the whole amount in one year, you require what is either impossible, or very inconvenient, that the people cannot, without great hard ship, pay the whole at once out of their

* On the other hand, it must be remembered that war abstracts from productive employment not only capital, but likewise labourers, that the funds withdrawn from the remuneration of productive labourers are partly employed in paying the same or other individuals for unproductive labour ; and that by this portion of its effects, war expenditure acts in precisely the opposite manner to that which Dr Chalmers points out, and, so far as it goes directly counter acts the effects described in the text So far as labourers are taken from production to the labouring man the army and navy classes are not damaged the capitalists are not benefited and the general produce of the country is diminished by war expendi ture. Accordingly, Dr Chalmers's doctrine, though true of this country is wholly inapplicable to countries differently circum stanced to France for example, during the At that period the draught Napoleon wars on the labouring population of France, for a long series of years, was enormous while the funds which supported the war were mostly supplied by contributions levied on the countries overrun by the French arms, a very small proportion alone consisting of French capital. In France accordingly, the wages of labour did not fall but rose; the employers of labour were not benefited, but injured while the wealth of the country was impaired by the suspension or total loss of so vast an amount of its productive inbour England all this was reversed. England employed comparatively few additional soldiers and sailors of her own, while she diverted hundreds of millions of capital from productive employment, to supply munitions of war and support armies for her Conti nental allies Consequently as shown in the text, her labourers suffered, her capitalists prospered, and her permanent productive resources did not fall off

petter to require of them a small pay ment every year in the shape of interest, than so execut a specifico onco for all To which his answer is, that the sign llice is made equally in either case Whatever is spent, cannot but be driwn from verily income. The whole and every part of the wealth produced in the country, forms, or helps to form, the yearly income of somebody privation which it is supposed must result from taking the amount in the shape of taxes, is not avoided by taking The suffering is not it in a loan averted, but only thrown upon the labouring classes, the least able, and who least ought, to bear it while all the reconcencies, physical, moral, and political, produced by a aintaining taxes for the purpetual payment of the interest, are incurred in pure Whenever capital is withdray it from production, or from the fund destined for production, to be lent to the State and expended unproductively, that sum is withheld from the labouring cla ses the loan, therefore, 1º in truth paid off the same year, the whole of the significan necessary for priving it off is returily made only it is paid to the arong persons, therefore does not extinguish the claim, and paid by the very worst of taxes, a tax exclusively on the labouring class And after having, in this most painful rand unjust way, gone through the whole effort necessary for extinguishing I the debt, the country remains charged with it, and with the payment of its interest in perpetuity

These views appear to me strictly just, in so far as the value absorbed in lorns would otherwise have been em ployed in productive industry within the country. The practical state of the case, however, seldom exactly corresponds with this supposition loans of the less wealthy countries are made chiefly with foreign capital, which would not, perhaps, have been brought in to be invested on any less security than that of the government while these of rich and prosperous countries are generally made, not with funds withdrawn from productive employ-

yearly meomy, and that it is much | mont, but with the new accumulations constantly making from income, and often with a part of them which, if not so taken, a ould have ungrated to colo mes, or sought other investments In these cases (which will) nbroad be more particularly examined hereafter"), the sum wanted may be obtained by loan without detriment to the labourers, or derangement of the na tional industry, and even perhaps with advantage to both, in compari on with raising flie amount by taxation, since! taxes, especially when heavy, are al most always partly paid at the expense of what would otherwise have been saved and added to capital in a country which makes so great yearly additions to its weilth that a part can be taken and expended un productively without diminishing capi tal, or even preventing a considerable increase, it is evident that even if the whole of what is so taken would have become capital, and obtained employ ment in the country, the effect on the labouring classes is far les i projudicial, and the case against the loan system much less strong, than in the case first This brief anticipation of a bosoqqua discussion which will find its proper place elsewhere, appeared necessary to prevent fulse inferences from the premuses previously laid down

> We now pass to a fourth fun damental theorem respecting Capital, which is, perhaps, oftener overlooked or misconceived than even any of the foregoing What supports and employs ! productive labour, is the capital expended in setting it to work, and not the demand of purchasers for the produce of the labour when completed Demand for commodities is not demand The demand for commodi for labour ties determines in what particular branch of production the labour and capital shall be employed, it deter mines the direction of the labour, but not the more or less of the labour itself, or of the maintenance or payment of These depend on the the labour amount of the capital, or other funds

directly devoted to the sustenance and remuneration of labour

Suppose, for instance, that there is a demand for velvet, a fund ready to be laid out in buying velvet, but no capital to establish the manufacture It is of no consequence how great the demand may be, unless capital is attracted into the occupation, there will be no velvet made, and consequer 'v none bought, unless, indeed, the desire of the intending purchaser for it is so strong, that he employs part of the price he would have paid for it, in making advances to work people, that they may employ themselves in making velvet, that is, unless he converts part of his income into capital, and invests that capital in the manufacture us now reverse the hypothesis, and suppose that there is plenty of capital ready for making velvet, but no de-Velvet will not be made, but there is no particular preference on the part of capital for making velvet nufacturers and their labourers do not produce for the pleasure of their customers, but for the supply of their own wants, and having still the capital and the labour which are the essentials of production, they can either produce something else which is in demand, or if there be no other demand, they themselves have one and can produce the things which they want for their own consumption So that the employ ment afforded to labour does not depend on the purchasers, but on the capital. I am, of course, not taking into consideration the effects of a sudden If the demand ceases unex change | pectedly, after the commodity to supply it is already produced, this introduces a different element into the question the capital has actually been consumed in producing something which nobody wants or uses, and it has therefore perished, and the employment which it gave to labour is at an end, not be cause there is no longer a deniand, but because there is no longer a capital This case therefore does not test the principle The proper test 19, to suppose that the change is gradual and for seen, and is attended with no waste of capital, the manufacture being dis-

continued by merely not replacing the! machinery as it wears out, and not reinvesting the money as it comes in from the sale of the produce The capital is thus ready for a new employment, in which it will maintain as much labour The manufacturer and his as before work people lose the benefit of the skill and knowledge which they had acquired in the particular business, and which can only be partially of use to them in any other, and that is the amount of loss to the community by the change But the labourers can still work, and the capital which previously employed them will, either in the same hands, or by being lent to others, employ either those labourers or an equivalent number in some other occu pation

This theorem, that to purchase pre duce is not to employ labour, that the demand for labour is constituted by the wages which precede the production, and not by the demand which may exist for the commodities resulting from the production, is a proposition which greatly needs all the illustration it can It is, to common apprelien sion, a paradox, and even among poli tical economists of reputation, I can hardly point to any, except Mr Ricardo and M Say, who have kept it con stantly and steadily in view Almost all others occasionally express them selves as if a person who buys com modities, the produce of labour, was an employer of labour, and created a demand for it as really, and in the same sense, as if he bought the labour itself directly, by the payment of wages is no wonder that political economy advances slowly, when such a question as this still remains open at its very threshold I apprehend, that if by de-5 mand for labour be meant the demand by which nages are raised, or the numbor of labourers in employment in creased, demand for commodities does not constitute demand for labour conceive that a person who buys conmodities and consumes them himself does no good to the labouring classes, and that it is only by what he abstains from consuming, and expends in direct payments to labourers in exchange for

labour that he benefits the labouring l classes or adds anything to the amount

of their employment

For the letter illustration of the principle, let us put the following case A consumer may expend his income either in buying services or commodities. He may employ part of it in laring journeymen bricklyyers to build a house, or excavators to distartificial lakes, or labourers to make plantations and lay out pleasure grounds, or, instead of this he may expen I the same value in buying velvet and lace question is, whether the difference between these two modes of expending his income affects the interest of the Libouring classes—It is plain that in the first of the two cases he employs labourers, who will be out of employ ment, or at least out of that employment, in the opposite case. But those from whom I differ say that this is of no consequence, because in buying velyct and lace he equally employs labourers, namely, those who make the velvet and lace I contend, however, Ithat in this last case he does not em lploy Inbourers, but merely decides in what kind of work some other person shill employ them The consumer does not with his own funds pay to the weavers and licenial ers their day's magea. He buse the finished commodity, which has been produced by labour and capital, the labour not being paid nor the capital furnished by him, but by the manufacturer Supposo that he had been in the habit of ex pending this portion of his income in hiring journeymen bricklayers, who laid out the amount of their wages in food and clothing, which were also produced by labour and capital however, determines to prefer velvet, for which he thus creates an extra de This demend cannot be satis fied without an extra supply, nor can the supply be produced without an ex-I tra capital where, then, is the capital to come from? There is nothing in the tonsumer's change of purpose which makes the capital of the country greater than it otherwise was It appears, then, that the increased demand for velvet could not for the present be | layers, it is a second fund

supplied, were it not that the very oir cumstance which gave rise to it has set at liberty a capital of the exact amount The very sum which the required consumer now employs in buying vel vet, formerly passed into the hands of journeymen bricklavers, who expended it in food and necessaries, which they now either go without, or squeeze by their competition, from the shares of other labourers The labour and ca pital, therefore, which formerly produced necessaries for the use of these Incklayers, are deprised of their market, and must look out for other em ployment, and they find it in making velvet for the new demand. I do not mean that the very same labour and capital which produced the necessaries turn themselves to producing the vel vet, but, in some one or other of a hundred modes, they take the place of There was capital that which does in existence to do one of two thingsto make the velvet, or to produce ne cessaries for the journeymen bricklayers, but not to do both It was at the option of the consumer which of the two should happen, and if he chooses the velvet, they go without the necessaries

For further illustration, let us suppose the same case reversed The (consumer has been accustomed to buy velvet, but resolves to discontinue that (expense, and to employ the same t annual sum in hiring bricklayers. If the common opinion be correct, this change in the mode of his expenditure gives no additional employment to labour, but only transfers employment from velvet makers to bricklayers closer inspection, however, it will be seen that there is an increase of the total sum applied to the remuneration The velvet manufacturer, supposing him aware of the diminished demand for his commodity, diminishes the production, and sets at liberty a corresponding portion of the capital employed in the manufacture. The capital, thus withdrawn from the maintonance of velvet-makers, is not the same fund with that which the cus tomer employs in maintaining brick There are

therefore two funds to be employed in the maintenance and remuneration of labour, where before there was only one. There is not a transfer of employment from velvet makers to brick layers, there is a new employment created for bricklayers, and a transfer of employment from velvet-makers to some other labourers, most probably those who produce the food and other things which the bricklayers consume

In answer to this it is said, that though money laid out in buying velvet is not capital, it replaces a capital, that though it does not create a new demand for labour, it is the necessary means of enabling the existing demand The funds (it may be to be kept up said) of the manufacturer, while locked up in velvet, cannot be directly applied to the maintenance of labour, they do not begin to constitute a demand for labour until the velvet is sold, and the capital which made it replaced from the outlay of the purchaser, and thus, t may be said, the velvet maker and the velvet buyer have not two capitals, but only one capital between them. which by the act of purchase the buyer transfers to the manufacturer and if instead of buying velvet he buys labour, he simply transfers this capital elsewhere, extinguishing as much de mand for labour in one quarter as he creates in another

The premises of this argument are not denied. To set free a capital which would otherwise be locked up in a form useless for the support of labour, 18, no doubt, the same thing to the in terests of labourers as the creation of a now capital It is perfectly true that if I expend 1000l in buying velvet, I enable the manufacturer to employ 1000l in the maintenance of labour, which could not have been so employed while the velvet remained unsold and if it would have remained unsold for ever unless I bought it, then by chang ing my purpose and hiring bricklayers instead, I undoubtedly create no new demand for labour for while I employ 1000l in hiring labour on the one hand. I annihilate for ever 1000l of the velvet maker's capital on the other But this is confounding the effects l

arising from the mere suddenness of a change with the effects of the change If when the buyer ceased to pur chase, the capital employed in making velvet for his use necessarily perished, then his expending the same amount in hiring bricklayers would be no crea tion, but merely a transfer, of employ The increased employment which I contend is given to labour, would not be given unless the capital of the velvet maker could be liberated, and would not be given until it was liberated. But every one knows that the capital invested in an employment can be withdrawn from it, if sufficient time be allowed If the velvet-maker had previous notice, by not receiving the usual order, he will have produced 1000l less velvet, and an equivalent portion of his capital will have been already set free If he had no previous notice, and the article consequently re mains on his hands, the increase of his stock will induce him next year to sus pend or diminish his production until the surplus is carried off When this process is complete, the manufacturer will find himself as rich as before, with undiminished power of employing la bour in general, though a portion of his capital will now be employed in main taining some other kind of it this adjustment has taken place, the demand for labour will be merely changed, not increased but as soon as it has taken place, the demand for labour is increased Where there was formerly only one capital employed in maintaining weavers to make 1000l worth of velvet, there is now that same capital employed in making something else, and 1000l distributed among bricklayers besides. There are now two capitals employed in remunerating two sets of labourers, while before, one of those capitals, that of the customer, only served as a wheel in the machinery by which the other capital, that of the manufacturer, carried on its employment of labour from year to year The proposition for which I am con

The proposition for which I am contending is in reality equivalent to the following, which to some minds will appear a truism, though to others it is a paradox that a person does good to

labourers, not by what he consumes on himself, but solely by what he does not so consume If instead of laying out 1001 in wine or silk, I expend it in 4 wages, the demand for commodities is precisely equal in both cases in the one, it is a demand for 100l worth of wine or sill, in the other, for the same value of bread, beer, labourers' clothing, fuel, and indulgences, but the la bourers of the community have in the latter case the value of 100l more of the produce of the community dis inbuted among them I have consumed that much less, and made over my consuming power to them If it were not so, my having consumed less would not leave more to be consumed by others, which is a manifest contra When less is not produced, what one person forbears to consume is necessarily added to the share of those to whom he transfers his power of pur-In the case supposed I do not necessarily consume less ultimately, since the labourers whom I pay may build a house for me, or make sometlung else for my future consumption But I have at all events postponed my consumption, and have turned over part of my share of the present produce of the community to the labourers. If after an interval I am indemnified, it is not from the existing produce, but from a subsequent addition made to it I have therefore left more of the existing produce to be consumed by others, and have put into the possession of labourers the power to consume it

There cannot be a better reductio ad absurdum of the opposite doctrine than that afforded by the Poor Law be equally for the benefit of the labour ing classes whether I consume my means in the form of things purchased for my own use, or set aside a portion in the shape of wages or alms for their direct consumption, on what ground can the policy be justified of taking my money from me to support paupers? since my unproductive expenditure would have equally benefited them, while I should have enjoyed it too society can both eat its cake and have it, why should it not be allowed the

tells every one in his own case (though he does not see it on the larger scale) that the poor rate which he pays is really subtracted from his own consumption, and that no shifting of pay ment backwards and forwards will enable two persons to eat the same If he had not been required to pay the rate, and had consequently frid out the amount on lumself, the poor would have had as much less for their share of the total produce of the country, as he himself would have con * somed more

* The following case, which presents the argument in a somewhat different shape, may serve for still further illustration

Suppose that a rich individual, A, expends a certain amount daily in wages or alms, which, as soon as received, is expended and consumed, in the form of coarse food, by the A dies, leaving his property to B, receivers a ho discontinues this item of expenditure and expends in lieu of it the same sum each day in delicacies for his own table chosen this supposition in order that the two cases may be similar in all their cir cumstances, except that which is the subject In order not to obscure the of comparison essential facts of the case by exhibiting them through the hazy medium of a money trans action let us further suppose that A, and B after him, are landlords of the estate on which both the food consumed by the recipients of A's disbursements, and the articles of luxury supplied for B's table are produced and that their rent is paid to them in kind, they giving previous notice that description of produce they shall re-The question is, whether B s expen diture gives as much employment or as much food to his poorer neighbours as A's gave

From the case as stated, it seems to follow that while A lived, that portion of his income which he expended in wages or alms, would be drawn by him from the farm in the shape of food for labourers, and would be used as such while B, who came after him would require, instead of this, an equivalent value in expensive articles of food, to be consumed in his own household that the farmer therefore, would, under B's régime produce that much less of ordinary food, and more of expensive delicacies, for each day of the vear, than was produced in A's time, and that there would be that amount less of food shared, throughout the year among the labouring and poorer classes. This is what would be conformable to the principles laid down in the text Those who think differ ently, must, on the other hand suppose that the luxures required by B would be produced, not instead of but in addition to the food proviously supplied to A's labourers, and that the aggregate produce of the country would be increased in amount. But when it double indulgence? But common sense is asked, how this double production would

It appears, then, that a demand delaved until the work is completed, and furnishing no advances, but only re imbursing advances made by others, contributes nothing to the demand for labour, and that what is so expended, is, in all its effects, so far as regards the employment of the labouring class, a mere nullity, it does not and cannot create any employment except at the expense of other employment which existed before

But though a demand for velvet does nothing more in regard to the employment for labour and capital, than to determine so much of the employment which already existed, into that par ticular channel instead of any other, still, to the producers already engaged

be effected-how the farmer whose capital and labour were already fully employed, would be enabled to supply the new wants of B, without producing less of other things, the only mode which presents itself is, that he should first produce the food, and then giving that food to the labourers whom A formerly fed, should by means of their labour produce the luxuries wanted by B This, accordingly, when the objectors are hard pre sed appears to be really their meaning. But it is an obvious answer that on this supposition, B must wait for his luxuries till the second year and they are wanted this year By the original hypothesis, he consumes his luxurious dinner day by day para passu with the rations of bread and potatoes formerly served out by A to his labourers There is not time to feed the labourers first and supply B afterwards: he and they cannot both have their wants ministered to he can only satisfy his own demand for commodities by leaving as much of theirs, as was formerly supplied from that

fund unsatisfied

It may indeed, be rejoined by an objector, that since on the present showing, time is the only thing wanting to render the expen diture of B consistent with as large an emplayment to labour as was given by A why may we not suppose that B postpones his in creased consumption of personal luxuries until they can be furnished to him by the labour of the persons whom A employed? In that case it may be said, he would employ and feed as much labour as his predecessors. Undoubtedly he would; but why? Because his income would be expended in exactly the same manner as his predecessor's it would be expended in wages. A reserved from his personal consumption a fund which he paid away directly to labourers. B does the same only in tead of paying it to them himself, he leaves I in the hands of the farmer who pays it to them for him, this supposition B in the first year neither expending the amount, as far as he is per-

in the velvet manufacture, and not in tending to quit it, this is of the utmost importance To them, a falling off in the demand is a real loss, and one which, even if none of their goods finally perish unsold, may mount to any height, up to that which would make them choose, as the smaller evil, to retire from the business contrary, an increased demand enables them to extend their transactions-to make a profit on a larger capital, if they have it, or can borrow it, and, turning over their capital more rapidly, they will employ their labourers more constantly, or employ a greater num So that an increased ber than before demand for a commodity does really, the particular department, often sonally concerned, in A s manner nor in his own really saves that portion of his income, And if in sub and lends it to the farmer sequent years, confining himself within the year a income, he leaves the farmer in arrears to that amount, it becomes an additional capital, with which the farmer may per manently employ and feed As labourers Nobody pretends that such a change as this, a change from spending an income in waves of labour, to saving it for investment, deprives any labourers of employment

In our illustration we have supposed no buying and selling or use of money the case as we have put it, corresponds with actual fact in everything except the details of the mechanism The whole of any country is virtually a single farm and manu factory from which every member of the community draws his appointed share of the produce, having a certain number of coun ters called pounds sterling put into his hands which at his convenience he brings back and exchanges for such goods as he prefers, up to the limit of the amount He does not, as in our imaginary case, give notice beforehand what things he shall require; but the dealers and producers are quite capa ble of finding it cut by observation and and change in the demand is promptly followed by an adaptation of the supply to it consumer changes from paying away a part of his income in wages, to spending it that same day (not some subsequent and distant day) in things for his own consumption, and perseveres in this altered practice until production has had time to adapt itself to the alteration of demand there will from that time be less food and other articles for the use of labourers, produced in the country, by exactly the value of the extra luxuries now demanded; and the labourers as a class, will be worse off by the pricise amount.

is affirmed to have that effect is, the change

from hiring labourers to buying commodities

for personal use

original hypothesis

as represented by our

cause a greater employment to be given to labour by the same capital The mistake lies in not perceiving that in the cases supposed, this advantage is given to labour and capital in one department, only by being withdrawn from another and that when the change has produced its natural effect of attracting into the employment ad ditional capital proportional to the in creased demand, the advantage itself CERSES

The grounds of a proposition, when well understood, usually give a tolera ble indication of the limitations of it The general principle, now stated, is, that demand for commodities deter mines merely the direction of labour, and the kind of wealth produced, but not the quantity or efficiency of the labour, or the aggregate of wealth But to this there are two exceptions First, when labour is supported, but not fully occupied, a new demand for something which it can produce, may stimulate the labour thus supported to increased exertions, of which the remilt may be an increase of wealth, to the advantage of the labourers them-Work which can selves and of others be done in the spare hours of persons subsisted from some other source, can (as before remarked) be undertaken without withdrawing capital from other occupations, beyond the amount toften very small) required to cover the expense of tools and materials, and even this will often be provided by savings made expressly for the purpose The reason of our theorem thus fuling, the theorem itself fails, and employment of this hand may, by the springing up of a demand for the commodity, be called into existence without depriving Inbour of an equivalent amount of em ployment in any other quarter demand does not, even in this case, operate on labour any otherwise than through the medium of an existing capital, but it affords an inducement which causes that capital to set in motion a greater amount of labour than it did before

The second exception, of which I shall speak at length in a subsequent chapter, consists in the known effect | new forms | For example, it has been

of an extension of the market for a commodity, in rendering possible an increased development of the division of labour, and hence a more effective distribution of the productive forces of so-This, like the former is more an exception in appearance, than it is in reality. It is not the money paid by the purchaser which remunerates the labour, it is the capital of the prodicer the demand only determines in what manner that capital shall be employed, and what kind of labour it shall remunerate, but if it determines that the commodity shall be produced on a large scale, it enables the same capital to produce more of the commodity, and may, by an indirect effect in causing an increase of capital, produce an eventual increase of the remuneration of the Hourer

The demand for commodities is a consideration of importance rather in the theory of exchange, than in that of production Looking at things in the aggregate, and permanently, the remuneration of the producer is derived from the productive power of his own The sale of the produce for money, and the subsequent expenditure of the money in buying other commodities, are a mere exchange of equivalent values, for mutual accommodation It is true that, the division of employ ments being one of the principal means of increasing the productive power of labour, the power of exchanging gives rise to a great increase of the produce, but even then it is production, not exchange, which remunerates labour and capital We cannot too strictly repre sent to ourselves the operation of exchange, whether conducted by barter or through the medium of money, as the mere mechanism by which each person transforms the remuneration of his labour or of his capital into the particular shape in which it is most convement to him to possess it, but in no wise the source of the remuneration itself

The preceding principles de monstrate the fallacy of many populat arguments and doctrines, which are continually reproducing themselves in

The same argument, how the taxes ever, equally proved that it is impossible to tax the labourers at all, since the tax, being laid out either in labour or in commodities, comes all back to, them, so that taxation has the singular property of falling on nobody ? On the same showing, it would do the labourers no harm to take from them I all they have, and distribute it among the other members of the community It would all be "spent among them," which on this theory comes to the rame thing The error is produced by) not looking directly at the realities of the phenomena, but attending only to the outward mechanism of paying and spending. If we look at the effects produced not on the money, which in merely changes hands, but on the commodities which are used and con rumed, we ree that, in consequence of the meannetax, the classes who pay it do really diminish their consumption Exactly so far as they do this, they are the persons on whom the tax falls is definited out of what they would otherwise have used and enjoyed fir, on the other hand, as the burthen falls, not on what they would have consumed, but on what they would have eried to innintain production, or spont in maintaining or paving unproductive labourers, to that extent the tax forms a deduction from what would have been used and enjoyed by the Inbouring classes But if the govern ment, as is probably the fact, expends fulls as much of the amount as the tax payers would have done in thou direct employment of labour as in lummy enfore soldiers and policemen, or in juving off deld, by which last eparation it even increases capital. the labouring classes not only do not lar ant employment by the tax, but may prable cain rome, and the whole ed the tax fills exclusively where it vas i iten La All that perturn of the produce of

All that jetter of the produce of the south which any one, not a like ref, act ally end literally can remove for his count of the country had in the enables degree to the intermediate of the No one is best tenter for a consumption, except

the person who consumes And a person cannot both consume his income himself, and make it over to be con sumed by others Taking away a certain portion by taxation cannot deprive both him and them of it, but only him

or them To know which is the suf l ferer, we must understand whose cond sumption will have to be retrenched in consequence this, whoever it be, is the person on whom the tax really

CHAPTER VI

ON GIRCULATING AND FIXED CAPITAL

To complete our explanations on the subject of capital, it is necessary to say something of the two species into which it is usually divided distinction is very obvious, and though not named, has been often adverted to, in the two preceding chapters but it is now proper to define it accurately, and

to point out a few of its consequences Of the capital engaged in the production of any commodity, there is a part which, after being once used, exists no longer as capital, is no longer capable of rendering service to production, or at least not the same ser vice, nor to the same sort of produc-Such, for example, is the portion of capital which consists of materials The tallow and alkalı of which soap is made, once used in the manufacture, are destroyed as alkalı and tallow, and cannot be employed any further in the soap manufacture, though in their altered condition, as soap, they are rapable of being used as a material or an instrument in other branches of manufacture In the same division must be placed the portion of capital which is paid as the wages, or con sumed as the subsistence, of labourers That part of the capital of a cottonspinner which he pays away to his workpeople, once so paid, exists no longer as his capital, or as a cotton spinner's capital such portion of it as the workmen consume, no longer exists as capital at all even if they save any part, it may now be more properly regarded as a fresh capital, the result of a second act of accumula Capital which in this manner!

fulfils the whole of its office in the proj/ duction in which it is engaged, by a single use, is called Circulating Capitals The term, which is not very appropriate, is derived from the circum stance, that this portion of capital re quires to be constantly renewed by the sale of the finished product, and when renewed is perpetually parted with in buying materials and paying wages, so that it does its work, not by being

kept, but by changing hands

Another large portion of capital, however, consists in matruments of production, of a more or less permanent character which produce their effect not by being parted with, but by being kept, and the efficacy of which is not! exhausted by a single use To this class belong buildings, machinery, and all or most things known by the name of implements or tools The durability of some of these is considerable, and their function as productive instruments is prolonged through many repetitions of the productive operation. In this class must likewise be included capital sunk (as the expression is) in permanent improvements of land So also the capital expended once for all, in the commencement of an undertaking, to prepare the way for subsequent opera tions the expense of opening a mine, for example of cutting canals, of making roads or docks Other examples might be added, but these are sufficient Capital which exists in any of these durable shapes, and the return to which is spread over a period of a corresponding duration, is called Fired! Capital

Of fixed capitals, some kinds require | to be occasionally or periodically re Such are all implements and buildings they require, at intervals, partial renewal by means of repairs, and are at last entirely worn out, and cannot be of any further service as buildings and implements, but fall back into the class of materials. In other cases, the capital does not, unless as a consequence of rome unusual accident, require ontire renewal but there is always some outlay needed, either regularly or at least occasionally, to keep it up A dock or a canal, onco made, does not require, like a machine, to be made again, unless purposely destroyed, or unless an earthquake or some similar catastropho has filled it up but regular and frequent outlays are necessary to keep it in repair The cost of opening a mine needs not be incurred a second time, but unless some one goes to the expense of keeping the mine clear of water, it is soon ren The most permanent dered useless of all kinds of fixed capital is that cm ployed in giving increased productive ness to a natural agent, such as land The draining of ma shy or inundated tracts like the Bedford Level, the reclaiming of land from the sea, or its protection by embankments, are im provements calculated for perpetuity, but drains and dyl es require frequent repair The same character of perpe tuity belongs to the improvement of land by subsoil draining, which adds so much to the productiveness of the clay soils, or by permanent manures. that is, by the addition to the soil, not of the substances which enter into the composition of vegetables, and which are therefore consumed by vegetation, but of those which merely alter the relation of the soil to air and water, as sand and lime on the heavy soils. clay and marl on the light Even such works, however, require some, though it may be very little, occasional outlay to maintain their full effect

These improvements, however, by the very fact of their deserving that tatle, produce an increase of return, which, after defraying all expenditure faccessary for keeping them up, still

This surplus forms leaves a surplus the return to the capital sunk in the first instance, and that return does not. as in the case of inachiners, terminate by the wearing out of the machine, but continues for over. The land thus in creased in productiveness, bears a value in the market, proportional to the increase and hince it is usual to consider the capital which ras in vested, or sunk, in mink it g the improve ment, as still existing in the increased value of the land. There must be no mistale, however. The capital his Th re must be no all other capital, has been consumed It was consumed in maintaining the lilourers who executed the improvement, and in the wear and tear if the tools by which they were assisted But it was consumed productively, and has left a permanent result in the improved productiveness of an appropriated natural agent, the land may call the increased produce the joint result of the land and of a capital fixed in the land. But as the capital, having in reality been consumed, can not be withdrawn, its productiveness thenceforth indissolubly blended with that arising from the original qualities of the soil, and the remine ration for the use of it thenceforth da pends, not upon the laws which govern the returns to labour and capital, but upon those which govern the recom-pense for natural agents. What these are, we shall see hereafter *

There is a great difference be] tween the effects of circulating and i those of fixed capital, on the amount of the gross produce of the country culating capital being destroyed as such, or at any rate finally lost to the owner, by a single use, and the product resulting from that one use being the only source from which the owner can replace the capital, or obtain any remuneration for its productive employment, the product must of course be sufficient for those purposes, or in other words, the result of a single use must be a reproduction equal to the whole amount of the circulating capi tal used, and a profit besides * Infra, book li chap zvi

however, is by no means necessary in the case of fixed capital. Since machinery, for example, is not wholly consumed by one use, it is not neces sary that it should be wholly replaced from the product of that use. The machine answers the purpose of its owner, if it brings in, during each in terval of time, enough to cover the expense of repairs, and the deterioration in value which the muchine has sustained during the same time, with a surplus sufficient to yield the ordinary profit on the entire value of the machine.

From this it follows that all increase of fixed capital, when taking place at the expense of circulating, must be, at least temporarily, prejudicial to the interests of the labourers This is true, not of machinery alone, but of all improvements by which capital is sunk, that is, rendered permanently incapa ble of being applied to the maintenance and remuneration of labour Suppose that a person farms his own land, with a capital of two thousand quarters of corn, employed in maintaining labourers during one year (for simplicity we omit the consideration of seed and tools), whose labour produces hun an two thousand four hundred quarters, being a profit of twenty per This profit we shall suppose that he annually consumes, carrying on his operations from year to year on the original capital of two thousand quarters Let us now suppose that by the expenditure of half his capital he effects a permanent improvement of his land, which is executed by half his labourers, and occupies them for a year, after which he will only require, for the effectual cultivation of his land, half as many labourers as before remainder of his capital he employs as In the first year there is no difference in the condition of the la bourers, except that part of them have received the same pay for an operation on the land, which they previously obtained for ploughing, sowing, and reaping At the end of the year, how ever, the improver has not, as before, a capital of two thousand quarters of Only one thousand quarters of

his capital have been reproduced in the usual way he has now only those thousand quarters and his im provements He will employ, in the next and in each following year, only half the number of labourers, and will divide among them only half the former quantity of subsistence loss will soon be made up to them if the improved land, with the diminished quantity of labour, produces two thousand four hundred quarters as be fore, because so enormous an accession of guin will probably induce the im prover to save a part, add it to his capital, and become a larger employer of labour But it is conceivable that this may not be the case, for (supposing, as we may do, that the im provement will last indefinitely, with out any outlay worth mentioning to keep it up) the improver will have gained largely by his improvement if the land now yields, not two thousand four hundred, but one thousand five hundred quarters, since this will replace the one thousand quarters forming his present circulating capital, with a profit of twenty five per cent (instead of twenty as polore) on the whole capital, fixed and circulating together improvement, therefore, may be a very profitable one to him, and yet very? injurious to the labourers

The supposition, in the terms in which it has been stated, is purely adeal, or at most applicable only to such a case as that of the conversion of arable land into pasture, which, though formerly a frequent practice, is regarded by modern agriculturists as the reverse of an improvement The clear ing away of the small farmers in the north of Scotland, within the present century, was however a case of it, and Ireland, since the potato famine and the repeal of the corn laws, is another The remarkable decrease which has lately attracted notice in the gross produce of Irish agriculture, is, to all appearance, partly attributable to the diversion of land from maintaining human labourers to feeding cattle and it could not have taken place without the removal of a large part of the Irish population by emigration or death

We have thus two recent instances in [which what was regarded as an agri cultural improvement, has diminished the power of the country to support its The effect, however, of population all the improvements due to modern science is to increase, or at all events, not to diminish the gross produce. But this does not affect the substance of the argument. Suppose that the im provement does not operate in inanner supposed-does not enable a part of the labour previously employed on the land to be dispensed with-but only enables the same labour to raise Suppose, too, that a greater produce the greater produce, which by means of the improvement can be raised from the soil with the same labour, is all wanted, and will find purchasers. The improver will in that case require the same number of labourers as before, at But where will be the same wages find the means of paying them? has no longer his original capital of two thousand quarters disposable for the purpose One thousand of them are 1 st and gone-consumed in maling the improvement. If he is to cimplor us many labourers as before, and pay them as highly, he must borrow, or obtain from some other source, a thou sand quarters to supply the deficit. But these thousand quarters already maintained, or were destined to main tain, an equivalent quantity of labour They are not a fresh creation, their destination is only changed from one productive employment to another, and though the agriculturist has made 'up the deficiency in his own circulating reapital, the breach in the circulating capital of the community remains an f repaired.

The argument relied on by most of those who contend that machinery can never be injurious to the labouring class, is, that by cheaponing production it creates such an increased demand for the commodity, as enables, ere long, a greater number of personal than ever to find employment in producing it. This argument does not seem to me to have the weight commonly ascribed to it. The fact, though too broadly stated, is, no doubt, often

The copyrists who were thrown ! truc out of employment by the invention of printing, were doubtless soon outpre smen who took their place and i the number of labouring persons now occurred in the cotton manufacture is many times e reater than were so occu pied previously to the inventious ef Hargrenres and Arkwright, which shous that besides the enominous fixed capital non embarked in the man ifacture, it also employs a far larger circu lating capital than at any former time But if this capital was drawn fr in other coupleyments of the funds which took the place of the capital sunk in co the machinery, very supplied not be any additional trying consequent on the improvements, but by drafts on the general capital of the community, what better are the labouring classes for the mere transfer? In what manuer is the less they sustained by the conversion of circulating into fixed capital, made up to them by a mere chifting of part of the remainder of the circulating capital from its old employments to al new one?

All attempts to make out that the labouring classes as a collective body carnot suffer temporarily by the introduction of machinery, or by the sinking of capital in permanent improvements. are, I conceive, accessarily fallacions) That they would suffer in the par ticul ir department of industry to which the change applies, is generally ad mitted, and obvious to common sense. but it is often said, that though cm ployment is withdrawn from labour in one department, an exactly equivalent employment is opened for it in others. because what the consumers save in the increased cheapness of one par ticular article enables them to augment their consumption of others, thereby increasing the demand for other kinds of labour This is plausible, but as was shown in the last chapter, involves a fallacy, demand for commodities? being a totally different thing from demand for labour It is true, the con sumers have now additional means of) buying other things, but this will not create the other things, onless there is capital to produce them, and the improvement has not set at liberty any capital, if even it has not absorbed some from other employments supposed increase of production and of employment for labour in other departments therefore will not take place, and the increased demand for coin modities by some consumers, will be balanced by a cessation of demand on the part of others, namely, the labourers who were superseded by the improvement, and who will now be maintained, if at all, by sharing, either in the way of competition or of chanty, in what was previously consumed by other people

Nevertheless, I do not believe that as things are actually transacted, improvements in production are often Inf ever, injurious, even temporarily, to the labouring classes in the aggregate They would be so if they took place suddenly to a great amount, because much of the capital sunk must necessarily in that case be provided from funds already employed as circulating capital But improvements are always introduced very gradually, and are seldom or never made by withdrawing circulating capital from actual production, but are made by the employment of the annual increase There are few, if any, examples of a great increase of fixed capital, at a time and place where circulating capital was finot rapidly increasing likewise not in poor or backward countries that great and costly improvements in production are made To sink capital in land for a permanent return—to introduce expensive machinery—are acts involving immediate sacrifice for distant objects, and indicate, in the first place, tolerably complete_security_of property, in the second, considerable activity of industrial enterprise, and in the third, a high standard of what has been called the "effective desire of accumulation " which three things are the elements of a society rapidly progressive in its amount of capital Although, therefore, the labouring classes must suffer, not only if the in prease of fixed capital takes place at I

the expense of circulating, but even if it is so large and rapid as to retard that ordinary increase to which the growth of population has habitually adapted itself, yet, in point of fact, this is very unlikely to happen, since there is probably no country whose fixed capital increases in a ratio more than proportional to its circulating If the whole of the railways which. during the speculative madness 1845, obtained the sanction of Parlia ment, had been constructed in the times fixed for the completion of each, this improbable contingency would, most likely, have been realized, but this very case has afforded a striking example of the difficulties which oppose the diversion into new channels of any considerable portion of the capital supplies the old difficulties generally much more than sufficient to prevent enterprises that involve the sinking of capital, from extending themselves with such rapidity as to impair the sources of the existing eni ployment for labour

To these considerations must be added, that even if improvements did) for a time decrease the aggregate produce and the circulating capital of the community, they would not the less tend in the long run to augment both (They increase the return to capital and of this increase the benefit must necessarily accrue either to the capi talist in grevier profits, or to the cus tomer in diminished prices, affording, in either case, an augmented fund from which accumulation may be made, while enlarged profits also hold out an increased inducement to accumulation In the case we before selected, in which the immediate result of the improve ment was to diminish the gross produce from two thousand four hundred quarters to one thousand five hundred, yet the profit of the capitalist being now five hundred quarters instead of four hundred, the extra one hundred quarters, if regularly saved would in a few years replace the one thousand quarters subtracted from his circulating capital Now the extension of business which almost certainly follows in any department in which an improvement

has been made, affords a strong in ducement to those engaged in it to add to their capital, and hence, at the slow pace at which improvements are usually introduced, a great part of the capital which the improvement ultimately absorbs, is drawn from the increased profits and increased savings which it has itself called forth.

This tendency of improvements in production to cause increased accumulation, and thereby ultimately to in crease the gross produce, even if tem porarily diminishing it will assume a still more decided character if it should appear that there are assignable limits both to the accumulation of capital, and to the increase of production from the land, which limits once attained, all further increase of produce must stop, but that improvements in production, whatever may be their other , effects, tend to throw one or both of these limits farther off. Now, these) are truths which will appear in the clearest light in a subsequent stage of our investigation It will be seen, that 'he quantity of capital which will, or even which can, be accumulated in any country, and the amount of gross produce which will, or even which can, be raised, bear a proportion to the state of the arts of production there existing, and that every improvement, even if for the time it diminish the circulating capital and the gross produce, ultimately makes room for a larger amount of both, than could possibly have existed otherwise this which is the conclusive answer to the objections against machinery, and the proof thence arising of the ulti mate benefit to labourers of mechanical inventions even in the existing state of society, will hereafter be seen to be conclusive * But this does not discharge governments from the obligation of alleviating, and if possible preventing, the evils of which this source of ultunate benefit is or may be productive to an existing generation sinking or fixing of capital in maclunery or useful works, were ever to proceed at such a pace as to impair materially the funds for the mainte

* Infra, book iv chap v

nance of labour, it would be incumbent on legislators to take measures for moderating its rapidity and since improvements which do not diminish employment on the whole, almost all ways throw some particular class of labourers out of it, there cannot be a more legitimate object of the legislator's care than the interests of those who are thus sacrificed to the gains of their fellow-citizens and of posterity

To return to the theoretical distinction between fixed and circulating capital Since all wealth which is destined to be employed for reproduction comes within the designation of capital, there are parts of capital which do not agree with the definition of either species of it, for instance, the stock of finished goods which a manufacturer or dealer at any time possesses unsold in his warehouses But this. though capital as to its destination, is not yet capital in actual exercise it is not engaged in production, but has first to be sold or exchanged, that is, converted into an equivalent value of some other commodities, and there fore is not yet either fixed or circulating capital, but will become either one or the other, or be eventually divided between them With the proceeds of his finished goods, a manufacturer will partly pay his work people, partly replenish his stock of the materials of his manufacture, and partly provide new buildings and machinery, or repair the old, but how much will be dévoted to one purpose, and how much to another, depends on the nature of the manufacture, and the requirements of the particular moment

It should be observed further, that the portion of capital consumed in the form of seed or material, though, un like fixed capital, it requires to be at once replaced from the gross produce, stands yet in the same relation to the employment of labour as fixed capital, does. What is expended in materials is as much withdrawn from the main tenance and remuneration of labourers, as what is fixed in machinery, and if capital now expended in wages were directed to the providing of materials, the effect on the labourers would be as

prejudicial as if it were converted into fixed capital This, however, is a kind of change which never takes place The tendency of improvements in production is always to economize, never to increase, the expenditure of seed or material for a given produce, and the interest of the labourers has no detri ment to apprehend from this cource

CHAPTER VII.

ON WHAT DEPENDS THE DEGREE OF PRODUCTIVENESS OF PRODUCTIVE AGENTS

§ 1 WE have concluded our general survey of the requisites of production We have found that they may be reduced to three labour, capital, and the matefrials and motive forces afforded by Of these, labour and the raw material of the globe are primary and indispensable Natural motive powers may be called in to the assistance of Jibour, and are a help, but not an essential, of production The remaining requisite, capital, is itself the product of labour its instrumentality in production is therefore, in reality, that of labour in an indirect shape It docs not the less require to be specified A previous application of separately. labour to produce the capital required for consumption during the work, is no less essential than the application of labour to the work itself Of capital, again, one, and by far the largest, por tion, conduces to production only by sustaining in existence the labour which produces the remainder, namely the instruments and materials, contribute to it directly, in the same manner with natural agents, and the materials supplied by nature

We now advance to the second great question in political economy, on what the degree of productiveness of these agents depends For it is evident that their productive officacy varies greatly at various times and places. With the same population and extent of territory, some countries have a much larger amount of production than others, and the same country at one time a greater camount than itself at another pare England either with a similar

an equal population of Russians Com } pure England now with England in the Middle Ages, Sicily, Northern Af rica, or Syria at present, with the sime countries at the time of their greatest prosperity, before the Roman conquest Some of the causes which contribute to this difference of productiveness are obvious, others not so much so proceed to specify several of them

The most evident cause of superior productiveness is what are called natural advantages These are Fertility of soil is one of the auoriny principal. In this there are great varieties, from the deserts of Arabid to the alluvial plains of the Ganges, the Niger, and the Mississippi favourable climate is even more im portant than a rich soil There are countries capable of being inhabited, but too cold to be compatible with agriculture Their inhabitants cannot pass beyond the nomadic state, they must live, like the Laplanders, by the domestication of the rein-deer, if not by hunting or fishing, like the miser able Esquimaux There are countries where oats will ripen, but not wheat, such as the North of Scotland, others where wheat can be grown, but from excess of moisture and want of sun shine, affords but a precamous crop, as in parts of Ireland With each advance towards the south, or, in the European temperate region, towards the east, some new branch of agricul ture becomes first possible, then advan tageous, the vine, maire, figs, olives, silk, rice, dates, successively present extent of territory in Russia, or with thomselves, until we come to

snint, coffee, cotton, spices, &c of | climates which also afford, of the more common agricultural products, with only a slight degree of cultivation, two or even three harvests in a Nor is it in agriculture alone that differences of climate are impor-Their influence is felt in many other branches of production in the durability of all work which is exposed to the air, of buildings, for example If the temples of Karnac and Luxor had not been injured by men, they might have subsisted in their original perfection almost for ever, for the in scriptions on some of them, though anterior to all authentic history, are fresher than is in our climate an in scription fifty years old while at St Petersburg, the most massive works, solidly executed in granite hardly a generation ago, are already, as tra vellers tell us, almost in a state to require reconstruction, from alternate exposure to summer heat and intense The superiority of the woven fabrics of Southern Europe over those of England in the richness and clear ness of many of their colours, is ascribed to the superior quality of the atmosphere, for which neither the know # ledge of chemists nor the skill of dvers has been able to provide, in our hazy and damp climate, a complete equivalent

Another part of the influence of climate consists in lessening the physical requirements of the producers In hot regions, mankind can exist in comfort with less perfect housing, less clothing, fuel, that absolute necessary of life in cold climates, they can almost dispense with, except for industrial They also require less aliment, as experience had proved, long before theory had accounted for it by ascer taining that most of what we consume as food is not required for the actual nutrition of the organs, but for keeping up the animal heat, and for supplying the nucessary stimulus to the vital functions, which in hot climates is almost sufficiently supplied by air and sunshine Much, therefore, of the labour elsewhere expended to procure the mere necessaries of life not being required, more remains disposable for !

its higher uses and its enjoyments illy the character of the inhabitants does not rather induce them to use up these advantages in over population, or in

the indulgence of repose

Among natural advantages, beside soil and climate, must be mentioned abundance of mineral productions, in convenient situations, and capable of being vorked with moderate labour Such are the coal fields of Great Britain, which do so much to compen sate its inhabitants for the disadvan tages of climate, and the scarcely interior resource possessed by this country and the United States, in a copious supply of an easily reduced iron ore, at no great depth below the earth's surface, and in close proximity to coal deposits available for working In mountain and hill districts. the abundance of natural water power; makes considerable amends for the usually inferior fertility of those re But perhaps a greater advan tage than all thise is a maritime situation, especially when accompanied with good natural harbours, and, next to it, great navigable rivers, These advantages consist indeed wholly in saving the cost of carriage who have not considered the subject. have any adequate notion how great an extent of economical advantage this comprises, nor, without having considered the influence exercised on production by exchanges, and by what is called the division of labour, can it be fully estimated So important is it, that it often does more than counter balance sterility of soil, and almost every other natural inferiority, especially in that early stage of industry in which labour and science have not yet provided artificial means of com munication capable of rivalling the natural. In the ancient world, and in the middle ages, the most prosperous communities were not those which had the largest territory, or the most fertile soil, but rather those which had been forced by natural sterility to make the utmost use of a convenient maritime situation, as Athens, Tyre, Marseilles, Venice, the free cities on the Baltic and the like

So much for natural advantages, the value of which, cateris paribus, is too obvious to be ever underrated But experience testifies that natural advantages scarcely ever do for a community, no more than fortune and station do for an individual, anything like what it lies in their Insture, or in their capacity, to do Neither now nor in former ages have the nations possessing the best climate and soil been either the richest or the most powerful, but (in so far as regards the mass of the people) gene rally among the poorest, though, in the midst of poverty, probably on the whole the most enjoying Human life in those countries can be supported on so little, that the poor seldom suffer from anxiety, and in climates in which mere existence is a pleasure, the luxury which they prefer is that of repose Energy, at the call of passion, they possess in abundance, but not that which is manifested in sustained and persevering labour and as they seldom concern themselves enough about remote objects to establish good political institutions, the incentives to industry are further weakened by imperiect protection of its finits cessful production, like most other kinds of success, depends more on the qualities of the human agents, than on the circumstances in which they work and it is difficulties, not facilities, that nourish bodily and mental energy Accordingly the tribes of mankind who have overrun and conquered others, and compelled them to labour for their benefit, have been mostly reared amidst hardship They have either been bred in the forests of northern climates, or the deficiency of natural hardships has been supplied, as among the Greeks and Romans, by the artificial ones of a rigid military From the time when the discipline. circumstances of modern society permitted the discontinuance of discipline, the South has no longer produced conquering nations, military vigour, as well as speculative thought and industrial energy, have all had their principal seats in the less favoured North

As the second, therefore, of the causes of superior productiveness, we may rank the greater energy of labour (By this is not to be understood occasional, but regular and habitual onergy No one undergoes, without murmur ing, a greater amount of occasional fatigue and hardship, or has his bodily powers, and such faculties of mind as he possesses, kept longer at their utmost stretch, than the North Ame rıcan Indian, yet his indolence is proverbial, whenever he has a brief respite from the pressure of present wants Individuals, or nations, do not differ so much in the efforts they are able and willing to make [under strong unmediate incentives, as in their capacity of present ex ertion for a distant object, and in the thoroughness of their application to work on ordinary occasions amount of these qualities is a necessary condition of any great improvement among mankind. To civilize a savage, he must be inspired with new wants and desires, even if not of a very elef vated kind, provided that their gratifi cation can be a motive to steady and regular bodily and mental exertion If the negroes of Jamaica and Demerara, after their emancipation had contented themselves, as it was pre dicted they would do, with the necessaries of life, and abandoned all labour beyond the little which in a tropical climate, with a thin population and abundance of the richest land, 18 sufficient to support existence, they would have sunk into a condition more barbarous, though less unhappy, than their previous state of slavery motive which was most relied on for inducing them to work was their love of fine clothes and personal ornaments No one will stand up for this taste as worthy of being cultivated, and in most societies its indulgence tends to impovement rather than to enrich, but in the state of mind of the negroes it might have been the only incentive that could make them voluntarily undergo systematic labour, and so acquire or maintain habits of voluntary industry which may be converted to more valuable ends In England, it is not the desire of wealth that needs to be taught, but the use of wealth, and appreciation of the objects of desire which wealth cannot purchase, or for latterning which it is not required Every real improvement in the cha racter of the English, whether it consist in giving them higher aspira tions, or only a juster estimate of the value of their present objects of desire, must necessarily moderate the ardour of their devotion to the pursuit of There is no need, however, that it should diminish the strenuous and business-like application to the matter in hand, which is found in the pest English workmen, and is their most valuable quality

The desirable medium is one which mankind have not often known how to hit when they labour, to do it with all their might, and especially with all their mind but to devote to labour, for mere pecuniary gain, fewer hours in the day, fewer days in the year, and

fewer years of life

The third element which de termines the productiveness of the labour of a community, is the skill and knowledge therein existing, whether it be the skill and knowledge of the labourers themselves, or of those who direct their labour. No illustration is requisite to show how the efficacy of industry is promoted by the manual dexterity of those who perform more routine processes, by the intelligence of those engaged in operations in which the mind has a considerable part, and by the amount of knowledge of natural powers and of the properties of objects, which is turned to the pur-That the produc poses of industry tiveness of the labour of a people is finited by their knowledge of the arts of life, is solf-evident, and that any progress in those arts, any improved application of the objects or powers of nature to industrial uses, enables the came quantity and intensity of labour to raise a greater produce

One principal department of these improvements consists in the invention and use of tools and machiners. The manner in which these serve to in

crease production and to economize labour, needs not be specially detailed in a work like the present it will be found explained and exemplified, in a manner at once scientific and popular, in Mr Babbage's well known "Economy of Machinery and Manufactures" An entire chapter of Mr Babbage's book is composed of in stances of the efficacy of machinery in exerting forces too great for human power, and executing operations too But to delicate for human touch" find examples of work which could not be performed at all by unassisted labour, we need not go so far out pumps, worked by steam-engines or otherwise, the water which collects in mines could not in many situations be got rid of at all, and the mines, after being worked to a little depth, must be abandoned without ships or boats the sen could never have been crossed. without tools of some sort, trees could not be cut down, nor rocks excavated, a plough, or at least a hoe, is necessary to any tillage of the ground simple and rude instruments, however, are sufficient to render literally possible most works hitherto executed by man kind, and subsequent inventions have chiefly served to enable the work to be performed in greater perfection, and, above all, with a greatly diminished quantity of labour the labour thus saved becoming disposable for other employment

The use of machinery is far from being the only mode in which the effects of knowledge in aiding production are exemplified. In agriculture and horticulture, machinery is only now beginning to show that it can do anything of importance, beyond the invention and progressive improve ment of the plough and a few other sımple ınstruments The greatest agrı cultural inventions have consisted in the direct application of more judicious processes to the land itself, and to the plants growing on it—such as rotation of crops, to avoid the necessity of leaving the land uncultivated for one season in every two or three, improved, manures, to renovate its fertility when exhausted by cropping, ploughing and i

draining the subsoil as well as the surface, conversion of bogs and marshes into cultivable land, such modes of pruning, and of truning and propping up plants and trees, as experience has shown to deserve the preference, in the case of the more expensive cultures, planting the roots or seeds turther ap irt, and more completely pulverizing the soil in which they are placed, &c In manufactures and commerce, some of the most important improvements consist in economizing time, in making the return follow more speedily upon the labour and outlar There are others of which the advantage consists in economy of material

\$ 5 But the effects of the an creased knowledge of a community in increasing its wealth, need the less 'illustration as they have familiar to the most uneducated, from 'such conspicuous instances as railways and steam ships. A thing not yet so well understood and recognised, is the economical value of the general diffu sion of intelligence among the people The number of persons fitted to direct and superintend any industrial enterprise, or even to execute any process which cannot be reduced almost to an affair of memory and routine, is always far short of the demand, as is evident from the enormous difference between the salaries paid to such persons, and the wages of ordinary labour deficiency of practical good sense, which renders the majority of the la bouring class such bad calculatorswhich makes, for instance, their domestic economy so improvident, lax, and irregular-must disqualify them for any but a low grade of intelligent labour, and render their industry far less productive than with equal energy The imporit otherwise might be tance, even in his limited aspect of popular education, is well worthy of the attention of politicians, especially in England, since competent observers, accustomed to employ labourers of various nations, testify that in the workmen of other countries they often find great intelligence wholly apart from instruction, but that if an English

Inbourer is anything but a hewer of wood and a driwer of water, he is indebted for it to education, which in his case is unjoist always self education. Mr. Escher, of Zurich, (an engineer and cotton manufacturer employing nearly two thousand working men of many different nations,) in his evidence annexed to the Report of the Poor Law Commissioners, in 1840, on the training of pauper children, gives a character of English as contrasted with Continental workmen, which all persons of similar experience will, I believe, confirm

"The Italians' quickness of percep tion is shown in rapidly comprehending any new descriptions of labour put into their hands, in a power of quickly comil prehending the meaning of their em player, of adapting themselves to new circumstances, much beyond what any The French work other classes have men have the hill o natural characteris tics, only in a somewhat lower degree The English, Swiss, German, and Dutch worl men, we find, have all much slower natural comprehension workmen only, the preference is un doubtedly due to the English, because, as we find them, they are all trained! to special branches, on which they have, had comparatively superior truning, and have concentrated all As men of business or of thoughts general usefulness, and as men with whom an employer would best like to be surrounded, I should, however, deci dedly profer the Saxons and the Swiss, but more especially the Saxons, because they have had a very careful gen eral education, which has extended their capacities beyond any special employment, and rendered them fit to take up, after a short preparation, any employment to which they may be If I have an English work man engaged in the erection of a steam ougine, he will understand that, and nothing elso, and for other cir cumstances or other branches of mechanics, however closely allied, he will be comparatively helpless to adapt him self to all the circumstances that may arise, to make arrangements for them, and give sound advice or write clear

statements and letters on his work in the various related branches of mechanics"

On the connection between mental cultivation and moral trustworthiness in the labouring class, the same witness says, "The better educated work i men, we find, are distinguished by superior moral habits in every respect In the first place, they are entirely sober, they are discreet in their empy ments, which are of a more rational and refined kind, they have a taste for much better society, which they approach respectfully, and consequently find much readier admittance to it, they cultivate music, they read, they enjoy the pleasures of scenery, and make parties for excursions in the country, they are economical, and their economy extends beyond their own purse to the stock of their master they are, consequently, honest and trustworthy" And in answer to a question respecting the English workmen, "Whilst in respect to the work to which they have been specially trained they are the most skilful, they are in conduct the most disorderly, debauched, and unruly, and least respectable and trustworthy of any nation whatsoever whom we have employed. and in saying this. I express the expe nenco of every manufacturer on the Continent to whom I have spoken, and especially of the English manufactu rers, who make the loudest complaints These characteristics of depravity do not apply to the English workmen who have received an education, but attach to the others in the degree in which they are in want of it. When the un educated English workmen are re leased from the bonds of iron discipline in which they have been restrained by their employers in England, and are treated with the urbanity and friendly feeling which the more educated work men on the Continent expect and receive from their employers, they, the English workmen, completely lose their balance they do not understand their position, and after a certain time be come totally unmanageable and use less "* This result of observation is * The whole evidence of this intelligent

borne out by experience in England itself. As soon as any idea of equal ity enters the mind of an uneducated English working man, his head is turned by it. When he censes to be

service he becomes insolont The moral qualities of the labourers. are fully as important to the efficiency. and worth of their labour, as the in tellectual Independently of the effects of intemperance upon their bodily and mental faculties, and of flight, un steady habits upon the energy and continuity of their work (points so easily understood as not to require being in sisted upon), it is well worthy of medi tation, how much of the aggregate effect of their labour depends on their; trustworthiness All the labour now expended in watching that they fulfil their engagement, or in verifying that they have fulfilled it, is so much with drawn from the real business of production, to be devoted to a subsidiary function rendered needfal not by the necessity of things, but by the dishonesty of men Nor are the greatest outward precautions more than very imperfectly efficacious, where, as is now almost invariably the case with hired labourers, the slightest relaxation of vigilance is an opportunity eagerly seized for eluding performance of their The advantage to mankind) of being able to trust one another, pen etrates into every crevice and cranny of human life the economical is per haps the smallest part of it, yet even this is incalculable. To consider only the most obvious part of the waste of wealth occasioned to society by human improbity, there is in all rich commu nities a predatory population, who live by pillaging or overreaching other people, their numbers cannot authentically ascertained, but on the lowest estimate, in a country like England, it is very large. The support of these persons as a direct burthen on the national industry police, and the whole apparatus of punishment, and of criminal and partly of

and experienced employer of labour is do serving of attention as well as much testi mony on similar points by other witnesses, contained in the same volume.

civil justice, are a second burthen rendered necessary by the first The exorbitantly paid profession of lawyers, so far as their work is not created by defects in the law of their own contriving, are required and supported principally by the dishonesty of mankind As the standard of integrity in a community rises higher, all these expenses become less But this positive saving would be far outweighed by the immense increase in the produce of all kinds of labour, and saving of time and expenditure, which would be obtained if the labourers honestly performed what they undertake, and by the in creased spirit, the feeling of power and confidence, with which works of all sorts would be planned and carried on by those who felt that all whose aid was required would do their part faithfully according to their contracts Con joint action is possible just in proportion as human beings can rely on each other There are countries in Europe, of first-rate industrial capabilities, where the most serious impediment to conducting business concerns on a large scale, is the rarity of persons who are supposed fit to be trusted with the receipt and expenditure of large sums There are nations whose of money commodities are looked shily upon by merchants, because they cannot depend on finding the quality of the article conformable to that of the sample Such short-sighted frauds are far from unexampled in English exports Every one has heard of "devil's dust" and among other instances given by Mr. Babbage, is one in which a branch of export trade was for a long time actually stopped by the forgenes and frauds which had occurred in it. On the other hand the substantial advan tage derived in business transactions from proved trustworthiness, is not less remarkably exemplified in the same "At one of our largest towns, sales and purchases on a very extensive scale are made daily in the course of business without any of the parties ever exchanging a written document" Spread over a year's transactions, how great a return, in saving of time, trouble, and expense, is brought in to

the producers and dealers of such a town from their own integrity influence of established character in producing confidence operated in a very remarkable manner at the time of the exclusion of British manufactures from the Continent during the last war One of our largest establishments had been in the habit of doing extensive business with a house in the centre of Germany but on the closing of the Continental ports against our manufactures, heavy penalties were inflicted on all those who contravened the Berlin and Milan decrees English manufacturer continued, never theless, to receive orders, with directions how to consign them, and appointments for the time and mode of pay ment, in letters, the handwriting of which was known to him, but which were never signed except by the Christian name of one of the firm, and even in some instances they were without any signature at all. These without any signature at all orders were executed, and in no in stance was there the least irregularity in the payments "+

* Some minor instances noticed by Mr Babbage may be cited in further illustration of the waste occasioned to society through the inability of its members to trust one

"The cost to the purchaser is the price he pays for any article, added to the cost of verifying the fact of its having that degree of goodness for which he contracts. In some cases, the goodness of the article is evident on mere inspection, and in those cases there is not much difference of price at different shops. The goodness of loaf sugar, for instance can be discerned almost at a glance ; and the consequence is, that the price is so uniform, and the profit upon it so small, that no grocer is at all anxious to sell it, whilst on the other hand, tea, of which it is exceed ingly difficult to judge, and which can be adulterated by mixture so as to deceive the skill even of a practised eye, has a great variety of different prices and is that article which every grocer is most anxious to cell to his customers. The difficulty and expense of verification are in some instances so great as to justify the deviation from well-established principles. Thus it is a general maxim that Government can purchase any article at a cheaper rate than that at which they can manufacture it themselves. But it has, nevertheless, been considered more economical to build extensive flour-mills (such as those at Deptford), and to grind their own corn, than to verify each sack of purchased flour, and to employ persons in devising me

\$ 6 Among the secondary causes which determine the productiveness of productive agents, the most important is Security By security I mean the completeness of the protection which society affords to its members consists of protection by the govern ment, and protection against the government The latter is the more important. Where a person known to possess anything worth taking away, can expect nothing but to have it torn from him, with every circumstance of tyrannical violence, by the agents of a rapacious government, it is not likely that many will exert themselves to produce much more than necessaries This is the acknowledged explanation of the poverty of many fertile tracts of Asia, which were once prosperous and populous From this to the degree of security enjoyed in the best governed

thods of detecting the new modes of adulte ration which might be continually resorted to A similar want of confidence might deprive a nation such as the United States, of

a large export trade in flour

Some years since a mode of pre-Again : paring old clover and trefoil seeds by a process called doctoring became so prevalent as ito excite the attention of the House of Com committee that the old seed of the white clover was doctored by first wetting it slightly and then drying it by the fumes of burning sulphur and that the red clover seed had its colour improved by shaking it in a sack with a small quantity of indigo; but this being detected after a time, the doctors then used a preparation of logwood, fined by a little coppera- and sometimes by verdigria; thus at once improving the appearance of the eld seed and diminishing if not destroying its vegetative power already enfeebled by age Supposing no injury had resulted to good seed so prepared, it was proved that, from the improved appearance the market price would be enhanced by this process from five to twenty five shillings a hundred weight But the greatest evil arose from the circum stance of these processes rendering old and worthless seed equal in appearance to the One witness had tried some doctored reed and found that not above one grain in a hundred grew and that those which did regetate died away afterwards whilst about eighty or ninety per cent of good seed usually The reed so treated was sold to retail dealers in the country, who of course endeavoured to purchase at the cheapest rate and from them it got into the hands of the farmers neither of these classes being co pable of distinguishing the fraudulent from the genuine seed. Many cultivators in conse guence diminished their consumption of the

parts of Europe, there are numerous! gradations In many provinces of France, before the Revolution, a vicious system of taxation on the land, and still more the absence of redress against the arbitrary exactions which were made under colour of the taxes, ren dered it the interest of every cultivator to appear poor, and therefore to cultivate badly The only insecurity which is altogether paralyzing to the active energies of producers, is that arising from the government, or from persons invested with its authority Agamst all other depredators there is a hope of defending oneself Greece and the Greek colonies in the ancient world. Flanders and Italy in the Middle Ages, by no means enjoyed what any one with modern ideas would call security: the state of society was most unsettled and turbulent, person and property

articles, and others were obliged to pay a higher price to those who had skill to distin guish the mixed seed, and who had integrity and character to prevent them from dealing in it."

The same writer states that Irish flax, though in natural quality inferior to none, sells, or did lately sell in the market at a penny to twopence per pound less than foreign or British flax part of the difference arising from negligence in its preparation, but part from the cause mentioned in the evidence of Mr. Corry many years Secretary to the Irish Linen Board. "The owners of the flax, who are almost always people in the lower classes of life, believe that they can best advance their own interests by imposing Flax being sold by weight, on the buyers various expedients are used to increase it. and every expedient is injurious, particularly the damping of it a very common practice which makes the flax afterwards heat inside of every bundle (and the bundles all vary in bulk) is often full of pebbles or dirt of various kinds, to increase the weight. this state it is purchased and exported to Great Britain

It was given in evidence before a Committee of the House of Commons that the lace trade at Nottingham had greatly isiden off from the making of fraudulent and bad articles: that "a kind of lace called single press was manufactured," (I still quote Mr Babbage) 'which, although good to the eye, became nearly spoiled in washing by the alipping of the threads; that not one person in a thousand could distinguish the difference between single-press and double press lace, that even workmen and manufacturers were obliged to employ a magnifying glass for that purpose and that in another similar article, called warp-lace, such aid was essential.'

were exposed to a thousand dangers But they were free countries, they were in general neither arbitrarily oppressed, nor systematically plundered by their governments Against other enemies the individual energy which their institutions called forth, enabled them to make successful resistance their labour, therefore, was eminently productive, and their riches, while they remained free, were constantly on the The Roman despotism, putting an end to wars and internal conflicts throughout the empire, relieved the subject population from much of the former insecurity but because it left them under the grinding yoke of its own rapacity, they became enervated and impoverished, until they were an easy prey to barbarous but They would neither free invaders fight nor labour, because they were no longer suffered to enjoy that for which they fought and laboured.

Much of the security of person and property in modern nations is the effect of manners and opinion rather than of There are, or lately were, coun tries in Europe where the monarch was nominally absolute, but where, from the restraints imposed by established usage, no subject felt practically in the smallest danger of having his possessions arbitrarily seized or a contribution levied on them by the govern-There must, however, be in such governments much petty plunder and other tyranny by subordinate agents, for which redress is not ob tained, owing to the want of publicity which is the ordinary character of absolute governments In England the people are tolerably well protected, both by institutions and manners, against If the agents of government, but, for the

security they enjoy against other evil doers, they are very little indebted to their institutions The laws cannot be said to afford protection to property, when they anoru is only as renders submission to injury in security of property in England is; owing (except as regards open violence)? to opinion, and the fear of exposure, much more than to the direct operation of the law and the courts of justice

Independently of all imperfection in the bulwarks which society purposely throws round what it recognises as property, there are various other modes? in which defective institutions impede? the employment of the productive resources of a country to the best ad ! We shall have occasion for noticing many of these in the progress of our subject It is sufficient here to remark, that the efficiency of industry may be expected to be great, in proportion as the fruits of industry are insured to the person exerting it and that all social arrangements are conducive to useful exertion, according as they provide that the reward of every one for his labour shall be proportioned as much as possible to the benefit which it produces All laws or usages which favour one class or sort of persons to the disadvantage of others, which chain up the efforts of any part of the community in pursuit of their own good, or stund between those efforts and their natural fruits—are (indepen dently of all other grounds of condem nation) violations of the fundamental principles of economical policy, tending to make the aggregate productive powers of the community productive in a less degree than they would otherwise be

CHAPTER VIII.

OF CO-OPERATION, OR THE COMBINATION OF LABOUR.

circumstances which promote the pro- importance, and of the many topics of ductiveness of labour, we have left discussion which it involves, requires

In the enumeration of the one untouched, which, because of its

to be treated apart This is, co-opera tion, or the combined action of numbers Of this great aid to production, a single department, known by the name of Division of Labour, has engaged a large share of the attention of political economists, most deservedly indeed, but to the exclusion of other cases and exemplifications of the same compre hensive law Mr Wakefield was, I believe, the first to point out, that a part of the subject had, with injurious effect, been mistaken for the whole. that a more fundamental principle lies beneath that of the division of labour, and comprehends it

Co-operation, he observes,* is "of two distinct kinds first, such co-operation as takes place when several persons help each other in the same employment, secondly, such co-operation as takes place when several persons lielp each other in different employments. These may be termed Simple Co-operation and Complex Co-operation.

"The advantage of simple co-opera tion is illustrated by the case of two greyhounds running together, which, it is said will kill more bares than four greyhounds running separately a vast number of simple operations performed by human exertion, it is quite obvious that two men working together will do more than four, or four times four mon, each of whom should work alone In the lifting of heavy weights, for example, in the felling of trees, in the sawing of timber. in the gathering of much hav or corn during a short period of fine weather. in draining a large extent of land during the short season when such a work may be properly conducted, in the pulling of ropes on board slip, in the rowing of large boats, in some mining operations in the erection of a scaffolding for building, and in the breaking of stones for the repair of a road, so that the whole of the road shall always be kept in good order, in all these simple operations, and thou sands more, it is absolutely necessary that many persons should work together, at the same time, in the same

place, and in the same way savages of New Holland never help each other, even in the most simple operations, and their condition hardly superior, in some respects it is inferior, to that of the wild animals which they now and then catch any one imagine that the labourers of England should suddenly desist from helping each other in simple employ ments, and he will see at once the prodigious advantages of simple co-In a countless number of operation employments, the produce of labour 18, up to a certain point, in proportion to such mutual assistance amongst the This is the first step in workmen social improvement." The second is, when "one body of men having com bined their labour to raise more food than they require, another body of men are induced to combine their labour for the purpose of producing more clothes than they require, and with those clothes buying the surplus food of the other body of labourers, while, if both bodies together have produced more food and clothes than they both require, both bodies obtain, by means of exchange, a proper capital for setting more labourers to! work in their respective occupations" To simple co-operation is thus super added what Mr Wakefield Complex Co-operation The one is the combination of several labourers to help each other in the same set of operations, the other is the combina tion of several labourers to help one another by a division of operations

There is "an important distinction between simple and complex co-opera Of the former, one is always! conscious at the time of practising it it is obvious to the most ignorant and vulgar eye Of the latter, but a very few of the vast numbers who practise it are in any degree conscious The cause of this distinction is easily seen several men are employed in lifting the same weight, or pulling the same rope, at the same time, and in the same place, there can be no sort of doubt that they co-operate with each other, the fact is impressed on the! mind by the mere sense of sight, but

^{*} Note to Wakefield's edition of Adam Smith, vol i, p 26

when several men, or bodies of men, are employed at different times and places, and in different pursuits, their co-operation with each other, though it may be quite as certain, is not so readily perceived as in the other case in order to perceive it, a complex operation of the mind is required."

In the present state of society the breeding and feeding of slicep is the coccupation of one set of people, dress ing the wool to prepare it for the spinner is that of another, spinning it into thread of a third, wearing the thread into broadcloth of a fourth, dyeing the cloth of a fifth, making it linto a cort of a sixth, without counting the multitude of carriers, merchants, factors, and retailers put in requisition at the success vestages of this progress All these persons, without knowledge of one another or previous understanding. co-operate in the production of the gultimate result, a coat. But these are far from being all who co-operate in it, for each of these persons requires food, and many other articles of consumption, and unless he could have relied that other people would produce these for him, he could not have devoted his whole time to one step in the succes sion of operations which produces one single commodity, a coat. Every person who took part in producing food or erecting houses for this series producers, has, however unconsciously on his part, combined his labour with theirs It is by a real, though unexpressed, concert, "that the body who raise more food than they want, can exchange with the body who raise more clothes than they want, and if the two bodies were separated, either by distance or disinclination—unless the two bodies should pritually form themselves into one, for the common object of raising enough food and clothes for the whole—they could not divide into two distinct parts the whole operation of producing a sufficient quantity of food and clothes"

§ 2 The influence exercised on production by the separation of employments, is more fundamental than, from the mode in which the subject is

usually treated, a reader might be in a duced to suppose It is not merely that when the production of different things becomes the sole or principal occupation of different persons, a much greater quantity of each kind of aiticle is produced. The truth is much beyond this Without some separation of employments, very few things would be produced at all

Suppose a set of persons, or number of families, all employed precisely in the same manner, each tamily settled on a piece of its own land, on which it grows by its labour the food required for its own sustenance, and as there are no persons to buy any surplus produce where all are' producers, each family has to produce within itself whatever other articles it consumes In such circumstances, if the soil was tolerably fertile, and population did not tread too closely on the heels of subsistence, there would be, no doubt, some kind of domestic manufactures, clothing for the family might perhaps be spun and woven within it, by the labour probably of the women (a first step in the separation of employments), and a dwelling of some sort would be erected and kept in repair by their united labour beyond simple food (precarious, too from the variations of the seasons), coarse clothing, and very imperfect lodging, it would be scarcely possible that the family should produce anything more They would, in general, require their utmost exertions to accomplish so much. Their power even of extracting food from the soil would be kept within narrow limits by the quality of their tools, which would necessarily be of the most wretched description. To do almost anything in the way of producing for themselves articles of convenience or luxury, would require too much time, and, in many cases, their presence in a different Very few kinds of industry, therefore, would exist, and that which did exist, namely the production of necessaries, would be extremely in efficient, not solely from imperfect implements, but because, when the ground and the domestic industry fed

by it had been made to supply the necessaries of a single family in tole rable abundance, there would be little motive, while the numbers of the family remained the same, to make either the land or the labour produce

But suppose an event to occur, which would amount to a revolution in the circumstances of this little settlement Suppose that a company of artificers, provided with tools, and with food sufficient to maintain them for a year, arrive in the country and establish themselves in the midst of the popu These new settlers occupy themselves in producing articles of uso or ornament adapted to the taste of a simple people, and before their food is exhausted they have produced these in considerable quantity, and are ready to exchange them for more food. A The leconomical position of the landed popu lation is now most materially altered They have an opportunity given them of acquiring comforts and luxuries Things which, while they depended solely on their own labour, they never could have obtained, because they could not have produced, are now accessible to them if they can succeed in producing an additional quantity of food and necessaries They are thus incited to increase the productiveness of their industry the conveniences for the first time made accessible to them, better tools are probably one, and apart from this. they have a motive to labour more assiduously, and to adopt contrivances for making their labour more effectual By these means they will generally succeed in compelling their land to produce, not only food for themselves, but a surplus for the new comers, wherewith to buy from them the products of their industry. The new settlers constitute what is called a market for surplus agricultural produce and their arrival has enriched the settlement not only by the manu factured articles which they produce, but by the food which would not have been produced unless they had been there to consume it

There is no inconsistency between

this doctrine, and the proposition we before maintained, that a market for commodities does not constitute em ployment for labour # The labour of the agriculturists was already provided with employment, they are not indebted to the demand of the new, comers for being able to maintain What that demand does, themselves for them is, to call their labour into increased vigour and efficiency, to stimulate them, by new motives, to new exertions Neither do the new comers owe their maintenance and employment to the demand of the agriculturists with a year's subsistence in store, they could have settled side by side with the former inhabitants, and produced a similar scanty stock of food and necessaries Nevertheless, we see of what supreme importance to the productiveness of the labour of producers, is the existence of other producers within reach, employed in a different kind of industry The power of exchanging the products of one kind of labour for those of another, is a condition, but for which, there would almost always be a smaller quantity of labour altogether When a new mar ket is opened for any product of in dustry, and a greater quantity of the article is consequently produced, the increased production is not always obtained at the expense of some other product, it is often a new creation, the result of labour which would otherwise have remained unexerted, or of assistance rendered to labour by improvements or by modes of co-operation to which recourse would not have been had if an inducement had not been offered for raising a larger produce

§ 3 From these considerations it appears that a country will seldom, have a productive agriculture, unless it has a large town population, or the only available substitute, a large export trade in agricultural produce to supply a population elsewhere I use the phrase town population for shortness, to imply a population non agricultural, which will generally be collected in towns or large villages, for

* Supra, pp 49-55

the sake of combination of labour The application of this truth by Mr. " Wakefield to the theory of colonization, has excited much attention, and is doubtless destined to excite much more. It is one of those great practical discoveries, which once made, appear so obvious that the ment of making them seems less than it is Walcfeld was the first to point out that the mede of planting new settle ments, then commonly practised setting dean a number of families side by side, each on its piece of land, all employing thems lves in exactly the same manner,—though in favourable circumstances it may assure to those families a rude abundance of mere necessaries, can never be other than unfavourable to great production or rapid frowth and his system consists of arrangements for securing that every colony shall have from the first a town population, bearing due propor tion to its agricultural, and that the cultivators of the soil shall not be so videly scattered as to be deprived by distance, of the benefit of that town population as a market for their pro-The principle on which the scheme is founded, does not depend on any theory respecting the superior productiveness of land held in large portions, and cultivated by hired la Supposing it true that land bour vields the greatest produce when divided into small properties and cultivated by peasant proprietors, a town population would be just as necessary to induce those proprietors to raise that larger produce and it they were too far from the nearest seat of nonagricultural industry to use it as a market for disposing of their surplus, and thereby supplying their other wants, neither that surplus nor any equivalent for it would, generally speaking, be produced 4

It is, above all, the deficiency of town population which limits the productiveness of the industry of a country The agriculture of India is ike India conducted entirely on the system of There is, however, a small holdings considerable amount of combination of

i customs which are the real framework of Indian society, make provision for joint action in the cases in which it is seen to be necessary, or where they ful to do so, the go ernment (when tolerably well administered) steps in, and by an outlay from the revenue, executes by combined labour the tanks, embrakments, and works of irrigation, which are indispensable The unple ments and processes of agriculture are however so wretched, that the produce of the soil, in spite of great natural fertility and a chimate highly favourable to regetation, is miserably small and the land might be made to yield food in abundance for many more than the present number of inhabitants, without departing from the system of small holdings But to this the stimulus is wanting, which a large town population, connected with the rural districts by easy and unexpensive means of communication, would afford town population, again, does not grow up, because the few wants and unas piring spirit of the cultivators (joined until lately with great insecurity of property, from military and fiscal ra pacity) prevent them from attempting to become consumers of town produce. In these circumstances the best chance of an early development of the productive resources of India, consists in the rapid growth of its export of agricul tural produce (cotton, indigo, sugar, coffee, &c) to the markets of Europe The producers of these articles are consumers of food supplied by their fellow agriculturists in India, and the market thus opened for surplus food will, if accompanied by good govern ment, raise up by degrees more extended wants and desires, directed either towards European commodities, or towards things which will require for their production in India a larger manufacturing population.

Thus far of the separation of 84 employments, a form of the combination of labour without which there can not be the first rudiments of industrial: civilization But when this separation is thoroughly established, when it has labour The village institutions and become the general practice for each

producer to supply many others with one commodity, and to be supplied by others with most of the things which he consumes, reasons not less real, though less imperative, invite to a further extens on of the same principle It is found that the productive power of labour is increased by carrying the separation further and further, by breaking down more and more every process of industry into parts, so that each labourer shall confine himself to an ever smaller number of simple ope And thus, in time, arise those remarkable cases of what is called the division of labour, with which all readers on subjects of this nature are famıbar Adam Smith's illustration pin making, though known, is so much to the point, that I will venture once more to transcribe it "The business of making a pin is divided into about eighteen distinct One man draws out the operations wire, another strughts it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head, to make the head requires two or three distinct operations, to put it on, is a peculiar business, to whiten the pins is another, it is even a trade by itself to put them into the paper

I have seen a small manufactory where ten men only were employed, and where some of them, consequently, performed two or three distinct operations But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted them selves, make among them about twelve pounds of pins in a day There are in a pound upwards of four thousand pins of a middling size Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day Each per-on, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and with out any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day "

M Say furnishes a still stronger example of the effects of division of labour-from a not very important branch of industry certainly, the manu "It is said facture of playing cards. by those engaged in the business, that each card, that is, a piece of pasteboard of the size of the hand, before being ready for sale, does not undergo fewer than seventy operations, every one of which might be the occupation of a distinct class of workmen if there are not seventy classes of workpeople in each card manufactory, it is because the division of labour is not carried so far as it might be, because the same workman is charged with two, three, or four distinct operations The influence of this distribution of employments is immense I have seen a card manufactory where thirty work men produced daily lifteen thousand five hundred cards, being above five hundred cards for each labourer, and it may be presumed that if each of these workmen were obliged to perform all the operations himself, even supposing him a practised hand, he would not perhaps complete two cards in a day and the thirty workmen, instead of fifteen thousand five hundred cards. would make only sixty "*

In watchmaking, as Mr Babbagd, observes, "it was stated in evidence before a Committee of the House of Commons, that there are a hundred and two distinct branches of this art, to each of which a boy may be put apprentice, and that he only learns his master's department and is unable, after his apprenticeship has expired, without subsequent instruction, to work at any other branch. The watch finisher, whose business it is to put together the scattered parts, is the only one, out of the one hundred and two persons, who can work in any other de-

partment than his own "+

* SAT Cours d'Economie Politique Pra tique vol i p 340

It is a remarkable proof of the economy of labour occasioned by this minute division of occupations that an article, the production of which is the result of such a multitude of manual operations, can be sold for a trifling

t Econory of Muchinery and Manufactures, 3rd Edition p 201

\$ 5 The causes of the increased ! efliciency given to labour by the divi sion of employments are some of them too familiar to require spicification, but it is worth while to attempt a complete enumeration of them By Adam Smith they are reduced to three "Tiret, the increase of dexterity in every particular worl man, secondly, I the saving of the time which is commonly lest in passing from one species , of work to another, and lastly, the invention of a great number of machines which fightate and abridge labour. , and enable one man to do the work of mons "

Of these, the manage of dextenty of Ithe individual workin in is the most obvious and universal. It does not follow that because a thing has been done oftener it will be done better depends on the intelligence of the workman, and on the degree in which his mind works along with his hands Put it will be done more easily forgans themselves acquire greater power the muscles employed grow stronger by frequent exercise, the sinews more plinnit, and the mental powers more efficient, and less sonsible tof fatigue. What can be done easily has at least a better chance of being done well, and is sure to be done more expeditionsly What was at first done slowly comes to be done quickly, what was at first done slowly with accuracy is at last done quickly with equal accuracy. This is as true of mental operations as of bodils Even a child, after much practice, sums up a column of figures with a rapidity which resembles The act of speaking any language, of reading fluently, of playing music at sight, are cases as remarkable as they are familiar Among bodily acts, dancing, gymnastic ever cises, ease and bulliancy of execution on a musical instrument, are examples of the ripidity and facility acquired by repetition. In simpler manual operations, the effect is of course still sooner "The rapidity," produced Smith observes, "with which some of the operations of certain manufactures are performed, exceeds what the human hand could, by those who have nover seen

them, be supposed capable of acquir ing ". This skill is, naturally, at trined after shorter practice, in propor tion as the division of labour is more minute, and will not be attained in the same degree at all, if the workman has a greater variety of operations to execute than allows of a sufficiently frequent repetition of each vintage is not confined to the greater efficiency ultimately attained, but in cludes also the diminished loss of time, and waste of materail, in learning the art "A certain quantity of material," says Mr Babbage, t "will in all cases be consumed unprofitably, or spoiled, by every person who learns an art, and as he applies himself to each new process, he will waste some of the raw material, or of the partly manufactured But it each man commits commodity this waste in acquiring successively every process, the quantity of waste will be much greater than it each per son confine his attention to one process " And in general each will be much sooner qualified to execute his one pro cess, if he be not distracted while learn ing it, by the necessity of learning others

The second advantage enumerated by Ad im Smith as arising from the division of labour, is one on which I cannot help thinking that more stress is laid by him and others than it deserves. To do full justice to his opinion, I will quote his own exposition of it. "The advantage which is gained by saving the time!

" 'In astronomical observations, the senses of the operator are rendered so seutby habit, that he can estimate differences of time to the tenth of a second; and a just nimeasuring instrument to graduations of which five thousand occupy only an inch It is the same throughout the commonest processes of manufacture A onlid who tastens on the heads of pins will repeat an operation requiring several distinct muti me of the muscles one hundred times a minute for several successive hours. In a recent Manchester paper it was stated that a peculiar sort of twist or 'gimp,' which cost three shillings maling when first introduced, was now manufactured for one penny; and this not, as usually, by the invention of a new machine, but solely thr ugu the in creased dexterly of the workman, -Edin burgh Review for January 1819, p 81 † Pare 171

Commonly lost in passing from one sort of work to another, is much greater than we should at first view be ant to imagine it. It is impossible to pass very quickly from one kind of work to another, that is carried on in a different place, and with quite differ A country weaver, who cultivates a small farm, must lose a good deal of time in passing from his loom to the field, and from the field to When the two trades can be carried on in the same workhouse. the loss of time is no doubt much less It is even in this case, however, very considerable A man commonly saun ters a little in turning his hand from one sort of employment to another When he first begins the new work, he is seldom very keen and hearty. his mind, as they say, does not go to it, and for some time he rather trifles than applies to good purpose , habit of sauntering and of indolent careless application, which is naturally, or rather necessarily acquired by every country workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life, renders him almost lalways slothful and lazy, and incapable of any vicorous application even on the most pressing occasions" Tlus 18 surely a most exaggerated description of the mefficiency of country labour, where it has any adequate motive to exertion I ew workmen change their work and their tools oftener than a gardener, is he usually incapable of Many of the vigorous application? higher description of artisans have to perform a great multiplicity of opera tions with a variety of tools not execute each of these with the rapidity with which a factory work man performs his single operation. but they are, except in a merely manual sense, more skilful labourers. and in all senses whatever more ener

Mr Babbage, following in the track of Adam Smith, says, "When the human hand, or the human head, has been for some time occupied in any

change its employment with full effect. The muscles of the limbs employed have acquired a flexibility during their exertion, and those not in action a stiffness during rest, which renders eve r change slow and unequal in the commencement Long habit also produces in the muscles exercised a capa city for enduring fatigue to a much greater degree than they could support under other circumstances A similar result seems to take place in any change mental exertion, the attention bestowed on the new subject not being so perfect at first as it becomes after some exercise The employment of different tools in the successive processes, is another cause of the loss of time in changing from one operation If these tools are simple. to another and the change is not frequent, the loss of time is not considerable, but in many processes of the arts, the tools are of great delicacy, requiring accu rate adjustment every time they are used, and in many cases, the time employed in adjusting bears a large proportion to that employed in using the tool The sliding rest, the divi ding and the drilling engine are of this kind and hence, in manufactories of sufficient extent, it is found to be good economy to keep one machine con stantly employed in one kind of work one lathe, for example, having a screw motion to its sliding rest along the whole length of its bed, is kept con stantly making cylinders, another, having a motion for equalizing the velocity of the work at the point at which it passes the tool, is kept for facing surfaces, whilst a third is con stantly employed in cutting wheels"

I am very far from implying that ' these different considerations are of no weight, but I think there are counterconsiderations which are overlooked. If one kind of muscular or mental labour is different from another, for that very reason it is to some extent a rest from that other, and if the greatest } vigour is not at once obtained in the second occupation, neither could the first have been indefinitely prolonged without some relaxation of energy kind of work, it cannot instantly ! It is a matter of common experience

I that a change of occupation will often afford relief where complete repose would otherwise be necessary, and that is person can work many more hours without fatigue at a succession of occupations, than if confined during the whole time to one Different occupations employ different muscles, or different energies of the mind, some of which rest and are refreshed while others work Bodily labour itself rests from mental, and conversely The variety itself has an invigorating effect on what, for want of a more philosophical appellation, we must term the animal spirits, so important to the efficiency of all work not mechanical, and not unimportant even to that The comparative weight due to these considerations is different with different individuals, some are more fitted than others for persistency in one occupation, and less fit for change, they require longer to get the steam up (to use a metaphor now common), the irksomeness of setting to work lasts longer, and it requires more time to bring their faculties into full play, and therefore when this is once done, they do not like to leave off, but go on long without intermission, even to the in jury of their health Temperament has something to do with these differ-There are people whose facul ties seem by nature to come slowly mto action, and to accomplish little until they have been a long time Others, again, get into employed action rapidly, but cannot, without In this, exhaustion, continue long however, as in most other things, though natural differences are some The habit thing, habit is much more of passing rapidly from one occupation to another may be acquired, like other habits, by early cultivation, and whon it is acquired, there is none of the sauntering which Adam Smith speaks of, after each change, no want of energy and interest, but the workman comes to each part of his occupation with a freshness and a spirit which he does not retain if he persists in any department of things, whose attention one part (unless in case of unusual is very much diverted to others. But, does not retain if he persists in any excitement) beyond the length of time in this, much more depends on general to which he is accustomed. Women intelligence and habitual activity of

are usually (at least in their present social circumstances) of far greater versatility than men, and the present topic is an instance among multitudes. how little the ideas and experience of women have yet counted for, in form, ing the opinions of mankind. are few women who would not reject the idea that work is made vigorous by being protracted, and is inefficient for some time after changing to a new thing Even in this case, habit, I believe, much more than nature, is the cause The occupations of, of the difference nine out of every ten men are special, those of nine out of every ten women general, embracing a multitude of details, each of which requires very little time Women are in the con stant practice of passing quickly from one manual, and still more from one mental operation to another, which therefore rarely costs them either effort or loss of time, while a man's occupation generally consists in working steadily for a long time at one thing, or one very limited class of things situations are sometimes reversed, and with them the characters are not found less efficient than men for the uniformity of factory work, or they would not so generally be em ployed for it, and a man who has cultivated the habit of turning his hand to many things, far from being the slothful and lazy person described by Adam Smith, is usually remarkably lively and active It is true, however that change of occupation may be too frequent even for the most versatile Incessant variety is even more fa tiguing than perpetual sameness

The third advantage attributed by Adam Smith to the division of labour is, to a certain extent, real tions tending to save labour in a par ticular operation, are more likely to occur to any one in proportion as his thoughts are intensely directed to that occupation, and continually employed A person is not so likely to upon it make practical improvements in one

mind than on exclusiveness of occupation, and if that exclusiveness is carried to a degree unfavourable to the cultivation of intelligence, there will be more lost in this kind of advantage than gained. We may add, that whatever may be the cause of making inventions, when they are once made, the increased efficiency of labour is owing to the invention itself, and not to the division of labour

The greatest advantage (next to the dexterity of the workmen) derived from the minute division of labour which takes place in modern manufacturing industry, is one not mentioned by , Adam Smith, but to which attention has been drawn by Mr Babbage, the more economical distribution of labour, by classing the work-people according to their capacity Different parts of the same series of operations require unequal degrees of skill and bodily strength, and those who have skill enough for the most difficult, strength enough for the hardest parts of the labour, are made much more useful by being employed solely in them, the operations which every body is capable of, being left to those who are fit for no others Production is most efficient when the precise quantity of skill and strength, which is required for each part of the process, is employed in it, and no more operation of pin making requires, it seems, in its different parts, such different degrees of skill, that the wages earned by the persons employed vary from fourpence halfpenny a day to mx shillings, and if the workman who is paid at that highest rate had to perform the whole process, he would be working a part of his time with a waste per day equivalent to the difference be tween six shillings and fourpence half perny " ulout reference to the loss sustained in quantity of work done, and supposing even that he could make a pound of pins in the same time in which ten workmen combining their labour can make ten pounds, Mr Babbn computes that they would cost, in making three times and three-quarters as mu h as they now do by means of the division of labour In needle- [

making, he adds, the difference would be still greater, for in that, the scale of remuncration for different parts of the process varies from sixpence to twenty shilling a day

twenty shillings a day To the advantage which consists in. extracting the greatest possible amount of utility from skill, may be ad ied the analogous one, of extracting the utmost? possible utility from tools "If any man," says an able writer, * " had all the tools which many different occupa tions require, at least three-fourths of them would constantly be idle and useless It were clearly then better, were any society to exist where each man had all these tools, and alternately carried on each of these occupations, that the members of it should, possible, divide them amongst them, each restricting himself to some par ticular employment. The advantages of the change to the whole community, and therefore to every individual in it, are great In the first place, the various implements, being in constant employment, yield a better return for what has been laid out in procuring In consequence their owners can afford to have them of better quality and more complete construc-The result of both events is, that a larger provision is made for the future wants of the whole society "

The division of labour, as all writers on the subject have remarked, 18 limited by the extent of the market If, by the separation of pin making into ten distinct employments, forty eight thousand pins can be made in a day, this separation will only be ad visable if the number of accessible consumers is such as to require, every day, something like forty-eight thou sand pins. If there is only a demand for twenty four thou and, the division of labour can only b, advantageously carried to the extent which will every day produce that smaller number This, therefore, is a further mode in which an accession of demand for a commodity tends to increase the

^{*} Statement of some New Principles on the subject of Political Economy, by John Rue, (Boston U 8) p 164.

efficiency of the labour employed in its i production The extent of the market may be limited by several causes too [small a population, the population too ecattered and distant to be easily accossible, deficiency of roads and water carriage, or, finally, the population too poor, that is, their collective labour too little effective, to admit of their being large consumers In Jolence, want of skill, and want of combination of labour, among those who would otherwise be buyers of a commodity. limit, therefore, the pricticable amount of combination of labour among its producers. In an early stage of civilization, when the demand of any particular locality was necessarily small, industry only flourished among those who by their command of the spa-coast or of a navigable river, could have the whole world, or all that purt of it which lay on coasts or navigable rivers. as a market for their productions The increase of the general riches of the world, when accompanied with freedom of commercial intercourse, improvements in navigation, and inland communication by roads, canals, or railways, tends to give increased productiveness to the libour of every

nation in particular, by enabling each locality to supply with its special products so much larger a market, that a great extension of the division of labour in their production is an ordinary consequence.

The division of labour is also limited, in many cases, by the nature of the employment Agriculture, for example, is not susceptible of so great a division. of occupation as many branches of manufactures, because its different operations cannot possibly be simul One man cannot be always tancous plouglung, another sowing, and another reaping A workman who only practised one agricultural operation would be idle eleven months of the year. The same person may perform them all in succession, and have, in most climates, a considerable amount of unoccupied To execute a great agricultural improvement, it is often necessary that many labourers should work together, but in general, except the few whose business is superintendence, they all work in the same manner A canal or radway embankment cannot bel made without a combination of many labourers, but they are all excavators except the engineer and a few clerks

CHAPTER IX.

OF PPODUCTIO ON A LAIGE, AND PRODUCTION ON A SHAIL SCALE

§ 1 From the importance of comibination of labour, it is an obvious con clusion, that there are many cases in which production is made much more effective by being conducted on a large Whenever it is essential to the greatest efficiency of labour that many labourers should combine, even though only in the way of Simple Co-operation, the scale of the enterprise must be such as to bring many labourers together, and the capital must be large enough to maintain them Still more needful is this when the nature of the employment allows, and the extent of the possible market encourages, a

considerable division of labour. The larger the enterprise, the farther the division of labour may be carried. This is one of the principal causes of large manufactories. Even when no additional subdivision of the work would follow an enlargement of the operations, there will be good economy in enlarging them to the point at which every person to whom it is convenient to assign a special occupation, will have full employment in that occupation. This point is well illustrated by Mr Babbage *

"If machines be kept working through

* Page 214, et seqq

the twenty four hours." (which is evi dently the only economical mode of (mploying them) "it is necessary that some person shall attend to admit the workmen at the time they reheve each other, and whether the porter or other servant so employed admit one person or twenty, his rest will be equally disturbed It will also be necessary occasionally to adjust or repair the machine, and this can be done much better by a workman accustomed to machinemaking, than by the person who uses Now, since the good performance and the duration of machines depend. to a very great extent, upon correcting every shake or imperfection in their parts as soon as they appear, the prompt attention of a workman resident on the spot will considerably re duce the expenditure arising from the wear and tear of the muchinery in the case of a single lace-frame, or a ungle loom, this vould be too expensive liere then anses another circumstance which tends to enlarge the extent of a factory. It ought to const t of such a number of machines as shall o cupy the whole time of one workman in keeping them in order if extended beyond that number, the same principle of economy a ould point out the necessity of doubling or impling the number of machines, in order to employ the whole time of two or three -kil ul werkmen

" If hen one portion of the workman's labour consists in the exertion of mere physical force as in weaving, and in many similar arts, it will soon occur to the man facturer, that if that part were executed by a steam-engine, the same man aught, in the case of wear ing, attend to two or more booms at once and, since we already suppose that one or more op rative engineers have twen employed the number of forms may be so arranged that their t me shall be fully occupied in keeping the sterrieugme and the looms in poler

foreign the same principles the manufactors baronnes gradualls so enfree I that the expense of lighting during the night autoints to a con-

already attached to the establishment persons who are up all night, and can therefore constantly attend to it, and also engineers to make and keen in ro pair any machinery, the addition of an apparatus for making gas to light the factory leads to a new extension, at the same time that it contributes, by di minishing the expense of lighting and the risk of accidents from fire, to re duce the cost of manufacturing

"Long before a factory has reached this extent, it will have been found necessary to establish an accountant's department, with clerks to pay the workmen, and to see that they arrive at their stated times, and this department must be in communication with the agents who purchase the raw produce, and with those who sell the manu'actured article" It will cost these clerks and accountants little more time and trouble to pay a large number of workmen than a small number to check the accounts of large transactions, than of small If the business doubled itself, it would probably be necessary to increase, but certainly not to double, the number either of accountants, or of buying and selling I very increase of business agants would enable the whole to be carried on with a proportionally smaller amount of labour

As a general rule, the expenses of ai business do not increase by any means! proportionally to the quantity of busi-Let us take as an example, a set of operations which we are accustomed to see carried on by one great establishment, that of the Post Office Suppose that the business, let us say only of the London letter post, instead of being centralized in a single concern. were divided among five or six com peting companies. Fach of these would be obliged to maintain almost as large an establishment as is now sufficient for the whole Since each must arrange for receiving and delivering letters in all parts of the town, each must send letter-carriers into every street, and almost every alley, and this too as many times in the day as is now done by the Post Office, if the service is to inderable sum and as there are be as well performed. Each must have

an office for receiving letters in every neighbourhood, with all rubularry arrangements for collecting the letters from the different offices and re-distributing them. To this must be added the much greater number of superior officers who would be required to check, and control the subordinates, implying not only a greater cost in salaries for such responsible officers but the neces sity, perhaps, of being satisfied in many instances with an inferior standard of qualification, and so failing in the object

Whether or not the advantages obtained by operating on a large scale preponderate in any particular case over the more watchful attention, and greater regard to minor gams and losecs, usually found in small establish ments, can be ascertained, in a state of free competition, by an unfailing Wherever there are and small establishments in the same business, that one of the two which in existing circumstances carries on the production at greatest advantage, will be able to undersell the other power of permanently underselling can only, generally speaking, be derived from increased effectiveness of labour, and this, when obtained by a more extended division of employment, or by a classification tending to a better economy of skill, always implies a greater produce from the same labour, and not morely the same produce from less labour it increases not the sur-plus only, but the gross produce of industry If an increased quantity of the particular article is not required, land part of the labourers in conso quenco loso their employment, the capital which maintained and employed them is also set at liberty, and the general produce of the country is in creased, by some other application of their labour

Another of the causes of large manu factories, however, is the introduction of processes requiring expensive machinery Expensive machinery supposes a large capital, and is not resorted to except with the intention of producing, and the hope of solling as much of the article as comes up to the

full powers of the machine For both these reasons, wherever costly ma chinery is used, the large system of production is inevitable. But the power of underselling is not in this case so unerring a test as in the former. of the beneficial effect on the total production of the community power of underselling does not depend on the absolute increase of produce, but on its bearing an increased propor tion to the expenses which, as was shown in a former chapter,* it may do, consistently with even a diminution of the gross annual produce By the adoption of machinery, a circulating; cipital, which was perpetually con ! sumed and reproduced, has been converted into a fixed capital, requiring only a small annual expense to keep it; up and a much smaller produce will suffice for merely covering that ex pense, and replacing the remaining circulating capital of the producer The machinery therefore might answer perfectly well to the manufacturer, and enable him to undersell his competitors, though the effect on the production of the country might be not an increase It is true, the but a diminution article will be sold cheaper, and there fore, of that single article, there will probably be not a smaller, but a greater quantity sold, since the loss to the community collectively has fallen upon the work people, and they are not the principal customers, if customers at all, of most branches of manufacture But though that particular branch of industry may extend itself, it will be by replenishing its diminished circu lating capital from that of the com munity generally, and if the labourers employed in that department escape loss of employment, it is because the loss will spread itself over the labouring people at large If any of them are reduced to the condition of unproduc tive labourers, supported by voluntary or legal charity, the gross produce of the country is to that extent perma nently diminished, until the ordinary progress of accumulation makes it up but if the condition of the labouring classes enable them to bear a temporary reduction of wages, and the super seded labourers become absorbed in other employments, their labour is still productive, and the breach in the gross produce of the community is repaired, though not the detriment to the labourers I have restated this exposition, which has already been made in a former place, to impress more strongly the truth, that mode of production does not of necessity increase the productive effect of the collective labour of a community, because it enables a particular commodity to be sold cheaper The one consequence generally accompanies the other, but not necessarily I will not here repeat the reasons I formerly gave, nor anticipate those which will be given more fully hereafter, for deem ing the exception to be rather a case abstractedly possible, than one which is frequently realized in fact

A considerable part of the saving of labour effected by substituting the large system of production for the small, is the saving in the labour of the capitalists themselves If a hun dred producers with small capitals carry on separately the same business, the superintendence of each concern will probably require the whole atten tion of the person conducting it, suffi ciently at least to hinder his time or thoughts from being disposable for any thing else while a single manufacturer possessing a capital equal to the sum of theirs, with ten or a dozen clerks, could conduct the whole of their amount of business, and have leisure too for other occupations The small capitalist, it is true, generally combines with the business of direction some portion of the details, which the other leaves to his subordinates the small farmer follows his own plough, the small tradesman serves in his own shop, the small weaver plies his own But in this very union of functions there is, in a great proportion of The prin cases, a want of economy cipal in the concern is either wasting, in the routine of a business, qualities suitable for the direction of it, or he is only fit for the former, and then the latter will be ill done T must observe

however that I do not attach, to this saving of labour, the importance often ascribed to it. There is undoubtedly much more labour expended in the superintendence of many small capitals than in that of one large capital For this labour however the small producers have generally a full compensation, in the feeling of being their own masters, and not servants of an em It may be said, that if they value this independence they will submit to pay a price for it, and to sell at the reduced rates occasioned by the competition of the great dealer or manufacturer But they cannot always do this and continue to gain a living They thus gradually disappear from society After having consumed their little capital in prolonging the unsuccessful struggle, they either sink into the condition of hired labourers, or be come dependent on others for support

§ 2 Production on a large scale is greatly promoted by the practice of forming a large capital by the combination of many small contributions, or, in other words, by the formation of joint stock companies. The advantages of the joint stock principle are

numerous and important.

In the first place, many undertakings require an amount of capital beyond the means of the richest individual or private partnership No individual could have made a railway from Lon don to Liverpool, it is doubtful if any individual could even work the traffic on it, now when it is made. The government indeed could have done both. and in countries where the practice of co-operation is only in the earlier stages of its growth, the government can alone be looked to for any of the works for which a great combination of means is requisite, because it can obtain those means by compulsory taxation, and is already accustomed to the conduct of large operations reasons, however, which are tolerably well known, and of which we shall treafully hereafter, government agency for the conduct of industrial operations is generally one of the least eligible resources, when any other is available.

Next, there are undertakings which individuals are not absolutely incapable of performing, but which they cannot perform on the scale and with the continuity which are ever more and more required by the exigencies of a society in an advancing state dividuals are quite capable of despatch ing ships from England to any or every part of the world, to carry passengers and letters, the thing was done before joint stock companies for the purpose were heard of But when, from the increase of population and transactions, as well as of means of payment, the public will no longer content them selves with occasional opportunities, but require the certainty that packets shall start regularly, for some places once or even twice a day, for others once a week, for others that a steam ship of great size and expensive construction shall depart on fixed days twice in each month, it is evident that to afford an assurance of keeping up with punctuality such a circle of costly operations, requires a much larger capital and a much larger staff of qualified subordinates than can be commanded by an individual capitalist There are other cases, again, in which though the business might be perfectly well transacted with small or mode rate capitals, the guarantee of a great subscribed stock is necessary or desirable as a security to the public for the fulfilment of pecuniary engagements This is especially the case when the nature of the business requires that numbers of persons should be willing to trust the concern with their money as in the business of banking, and to both of which that of insurance the joint stock principle is eminently adapted. It is an instance of the folly and jobbery of the rulers of mankind, that until a late period the joint stock principle, as a general resort, was in this country interdicted by law to these two modes of business, to banking altogether, and to insurance in the department of sea risks, in order to bestow a lucrative monopoly on particular establishments which the government was pleased exceptionally to because, namely the Bank of England,

and two insurance companies, the London and the Royal Exchange

Another advantage of joint stock, or associated management, is its incident of publicity This is not an invariable. but it is a natural, consequence of the joint stock principle, and might be, as in some important cases it already is, compulsory In banking, insurance, and other businesses which depend wholly on confidence, publicity is a still more important element of success than a large subscribed capital A heavy loss occurring in a private bank may be kept secret, even though it were of such magnitude as to cause the ruin of the concern, the banker may still carry it on for years, trying to retrieve its position, only to fall in the end with a greater crash but this cannot so easily happen in the case of a joint stock com pany whose accounts are published The accounts, even periodically cooked, still exercise some check, and the suspicions of shareholders, breaking out at the general meetings, put the public on their guard

These are some of the advantages of joint stock over individual management. But if we look to the other side of the question, we shall find that individual management has also very great advantages over joint stock. The chief of these is the much keener interest of the managers in the success of the.

undertaking

The administration of a joint stock, association is, in the main, administration by hired servants. Even the committee, or board of directors, who are supposed to superintend the manage ' ment, and who do really appoint and remove the managers, have no pecu mary interest in the good working of the concern beyond the shares they individually hold, which are always a very small part of the capital of the association, and in general but a small part of the fortunes of the directors themselves, and the part they take in the management usually divides their time with many other occupations, of as great or greater importance to their own interest, the business being the principal concern of no one except those who are hired to carry it on

experience shows, and proverbs, the expression of popular experience, attest, how inferior is the quality of hired servants, compared with the ministration of those personally interested in the work, and how indispensable, when hired service must be employed, is "the master's eye" to watch over it

"the master's eye" to watch over it The successful conduct of an industrial enterprise requires two quite distinct qualifications fidelity, and zeal The fidelity of the hired managers of a concern it is possible to secure 'heir work admits of being reduced to a definite set of rules, the violation of these is a matter on which conscience cannot easily blind itself, and on which responsibility may be enforced by the loss of employment But to carry on a great business successfully, requires a hundred things which, as they cannot be defined beforehand, it is impossible to convert into distinct and positive obligations First and principally, it requires that the directing mind should be incessantly occupied with the sub ject, should be continually laying schemes by which greater profit may be obtained, or expense saved intensity of interest in the subject it is seldom to be expected that any one should feel, who is conducting a busi ness as the hired servant and for the profit of another There are experi ments in human affairs which are conclusive on the point. Look at the whole class of rulers, and ministers of state The work they are entrusted with, is among the most interesting and exciting of all occupations, the per sonal share which they themselves reap of the national benefits or misfortunes which befal the state under their rule, is far from trifling, and the rewards and punishments which they may ex pect from public estimation are of the plain and palpable kind which are most keenly felt and most widely appreciated. Yet how rare a thing is it to find a statesman in whom mental indolence is not stronger than all these inducements. How infinitesimal is the proportion who trouble themselves to form, or even to attend to, plans of public unprovement, unless when it is made still more troublesome to them

to remain inactive, or who have any other real desire than that of rubbing on, so as to escape general blame a smaller scale, all who have ever em ployed hired labour have had ample experience of the efforts made to give as little labour in exchange for the wages, as is compatible with not being turned off The universal neglect by domestic servants of their employer's interests, wherever these are not protected by some fixed rule, is matter of common remark, unless where long continuance in the same service, and reciprocal good offices, have produced either personal attachment, or some

feeling of a common interest

Another of the disadvantages of joint stock concerns, which is in some degree common to all concerns on a large scale, is disregard of small gains and small gavings In the management of a great capital and great transactions, especially when the managers have not much interest in it of their own, small sums are apt to be counted for next to notlung, they never seem worth the care and trouble which it costs to attend to them, and the credit of liberality and openhandedness is cheaply bought by a disregard of such trifling considera But small profits and small ex penses, often repeated, amount to great grins and losses and of this a large capitalist is often a sufficiently good calculator to be practically aware, and to arrange his business on a system, which if enforced by a sufficiently vigi lant superintendence, precludes the possibility of the habitual waste, otherwise incident to a great business But the managers of a joint stock concern sel dom devote themselves sufficiently to the work, to enforce unremittingly, even if introduced, through every detail of the business, a really economical system

From considerations of this nature, Adam Smith was led to enunciate as a principle, that joint stock companies could never be expected to maintain themselves without an exclusive privilege, except in branches of business which like banking, insurance, and some others, admit of bung, in a considerable degree, reduced to fixed rules

This however is one of those over state ments of a trie principle, often met with in Adam Smith In his days there were few instances of Joint stock com panies which had been permanently successful without a monopoly, except the class of cases which he referred to, but since his time there have been many, and the regular increase both of the spirit of combination and of the ability to combine, will doubtless produce many more Adam Smith fixed his observation too exclusively on the superior energy and more unremitting attention brought to a business in which the whole stake and the whole gain be long to the persons conducting it, and the overlooked rangus countervailing considerations which go a great way towards beutralizing even that great

point of superienty Of these one of the most important is that which relates to the intellectual and active qualifications of the directing head The stimulus of individual interest is some security for exertion, but exertion is of little avail if the intelligence exerted is of an inferior order. which it must necessarily be in the majority of concerns carried on by the persons chiefly interested in them. Where the concern is large, and can afford a remuneration sufficient to attract a class of candidates superior to the common average, it is possible to select for the general management, and for all the skilled employments of a subordinate kind, persons of a degree of acquirement and cultivated intelligence which more than compensates for their inferior interest in the result greater perspicacity enables them, with even a part of their minds, to see probabilities of advantage which never occur to the ordinary run of men by the continued exertion of the whole of theirs, and their superior knowledge, and habitual rectitude of perception and of judgment, guard them against blunders, the fear of which would prevent the others from hazarding their interests in any attempt out of the ordinary routine.

It must be further remarked, that it is not a necessary consequence of joint stock management, that the persons

employed, whether in superior or in! subordinate offices, should be paid wholly by fixed salaries. There are modes of connecting more or less inti mately the interest of the employée with the pecuniary success of the con There is a long series of intermediate positions, between working wholly on one's own account, and working by the day, week, or year for an invariable payment Even in the case of ordinary unskilled labour, there is such a thing as task-work, or working by the piece and the superior efficiency of this is so well known, that judicious employers always resort to it when the work admits of being put out in definite portions, without the neces sity of too troublesome a surveillance to guard against inferiority in the execu-In the case of the managers of joint stock companies, and of the superintending and controlling officers in many private establishments, it is a common enough practice to connect their pecuniary interest with the interest of their employers, by giving them part of their remi neration in the form of a percentage on the profits personal interest thus given to hired servants is not comparable in intensity to that of the owner of the capital, but it is sufficient to be a very material stimulus to zeal and carefulness, and, when added to the advantage of supemor intelligence, often raises the quality of the service much above that which the generality of masters are capable of rendering to themselves. The ulterior extensions of which this principle of remuneration is susceptible, being of great social as well as economical im portance, will be more particularly adverted to in a subsequent stage of the present inquiry

As I have already remarked of large establishments generally, when compared with small ones, whenever competition is free its results will show whether individual originit stock agency is best adapted to the particular case, since that which is most efficient and most economical will always in the end succeed in underselling the other

^{§ 8} The possibility of substituting

the large system of production for the small, depends, of course, in the first place, on the extent of the market The large system can only be advantageous when a large amount of business is to Vbe done it implies, therefore, either a populous and flourishing community, for a great opening for exportation Again, this as well as every other change in the system of production is greatly favoured by a progressive condition of capital It is chiefly when the capital of a country is receiving a great annual increase, that there is a large amount of capital seeking for investment and a new enterprise is much sooner and more easily entered upon by new capital, than by with drawing capital from existing employ The change is also much inci litated by the existence of large capitals in few hands. It is true that the same amount of capital can be raised by bringing together many small sums But this (besides that it is not equally well suited to all branches of industry), supposes a much greater degree of commercial confidence and enterprise dif fused through the community, and belongs altogether to a more advanced stage of industrial progress

In the countries in which there are the largest markets, the widest diffu ision of commercial confidence and en l'terprise, the greatest annual increase of capital, and the greatest number of large capitals owned by individuals, there is a tendency to substitute more and more, in one branch of industry after another, large establishments for small ones In England, the chief type of all these characteristics, there is a perpetual growth not only of large manufacturing establishments, but also, wherever a sufficient number of pur chasers are assembled, of shops and warehouses for conducting retail busi ness on a large scale These are almost always able to undersell the smaller tradesmen, partly, it is understood, by means of division of labour, and the economy occasioned by limiting the employment of skilled agency to cases where skill is required, and partly, no doubt, by the saving of labour arising from the great scale of the transactions

as it costs no more time, and not much more exertion of mind, to make a large purchase, for example, than a small one, and very much less than to make a number of small ones

With a view merely to production, and to the greatest efficiency of labour this change is wholly beneficial some cases it is attended with draw backs, rather social than economical, the nature of which has been already hinted at But whatever disadvan tages may be supposed to attend on the change from a small to a large system of production, they are not applicable to the change from a large to a still When in any employment, larger the régime of independent small producers has either never been possible, or has been superseded, and the sys tem of many work people under one management has become fully es tablished, from that time any further enlargement in the scale of production, is generally an unqualified benefit is obvious, for example, how great an economy of labour would be obtained if London were supplied by a single gas or water company instead of the existing plurality While there are even as many as two, this implies double establishments of all sorts, when one only, with a small increase, could probably perform the whole operation equally well, double sets of machinery and works, when the whole of the gas or water required could generally be produced by one set only, even double sets of pipes, if the companies did not prevent this needless expense by agreeing upon a division of the territory Were there only one establishment. it could make lower charges, consist ently with obtaining the rate of pro fit now realized. But would it do so? Even if it did not, the community in the aggregate would still be a gaine r since the shareholders are a part of the community, and they would obtain higher profits while the consumers paid only the same It is, however, an error to suppose that the prices are! ever permanently kept down by the competition of these companies Where competitors are so few, they always end by agreeing not to compete They

may run a race of cheapness to run a new candidate, but as soon as he has established his footing they come to terms with him When, therefore, a business of real public importance can only be carried on advantageously upon so large a scale as to render the liberty of competition almost illusory, it is an unthrity dispensation of the public resources that several costly sets of arcangements should be kept up for the purpose of rendering to the community this one service. It is much better to treat it at once as a public function, and if it be not such as the Lovernment itself could beneficially undertake, it should be made over entire to the company or association which will perform it on the best terms for the public the case of railways, for example, no one can desire to see the enormous waste of capital and land (not to speak of increased nuisance) involved in the construction of a second railway to connect the same places already united by an existing one, while the two would not do the work better than it could be done by one, and after a short time would probably be amalgamated Only one such line ought to be permitted, but the control over that line never ought to be parted with by the State, unless on a temporary concession, as in France, and the vested right which Parliament has allowed to be acquired by the existing companies, like all other proprietary rights which are opposed to public utility, is morally valid only as a claim to compensation

The question between the § 4 large and the small systems of production as applied to agriculture-between large and small farming, the grande and the petite culture-stands, in many respects, on different grounds from the general question between great and small industrial establish In its social aspects, and as an element in the Distribution of Wealth, this question will occupy us hereafter but even as a question of fireduction, the superiority of the large lystem in agriculture is by no means so clearly established as in manufactures

I have already remarked, that the operations of agriculture are little sus ceptible of benefit from the division of There is but little separation, of employments even on the largest The same persons may not in general attend to the live stock, to the marketing, and to the cultivation of the soil, but much beyond that primary and simple classification the subdivision is not carried The combination of labour of which agriculture is susceptible, is chiefly that which Mr Wakefield terms Simple Co-opera tion, several persons helping one another in the same work, at the same But I confess it time and place seems to me that this able writer at tributes more importance to that kind of co-operation, in reference to agricul ture properly so called, than it de-None of the common farming operations require much of it is no particular advantage in setting al great number of people to work to gether in ploughing or digging or sow } ing the same field, or even in mowing or reaping it unless time presses single tamily can generally supply all the combination of labour necessary for these purposes And in the works in which an union of many efforts is really needed, there is seldom found any impracticability in obtaining it where farms are small

The waste of productive power by sub 4 division of the land often amounts to a great evil, but this applies chiefly to a subdivision so minute, that the cultiva tors have not enough land to occupy their time Up to that point the same which recommend large principles manufactories are applicable to agri culture For the greatest productive efficiency, it is generally desirable (though even this proposition must be received with qualifications) that no family who have any land, should have less than they could cultivate, or than will fully employ their cattle and tools These, however, are not the dimensions of large farms, but of what are reckoned in England very small ones large farmer has some advantage u the article of buildings It does not cost so much to house a great number

of cattle in one building, as to lodge them equally well in several buildings There is also some advantage in im A small farmer is not so nlements likely to possess expensive instru But the principal agricultural implements, even when of the best construction, are not expensive. It may not answer to a small farmer to own a threshing machine, for the small quan tity of corn he has to thresh, but there is no reason why such a machine should not in every neighbourhood be owned in common, or provided by some person to whom the others pay a con sideration for its use, especially as, when worked by steam, they are so constructed as to be moveable * The large farmer can make some saving in cost of carriage There is nearly as much trouble in carrying a small por tion of produce to market, as a much greater produce, in bringing home a small, as a much larger quantity of manures, and articles of daily con There is also the greater cheapness of buying things in large quentites These various advantages must count for something, but it does not seem that they ought to count for In England for some very much generations, there has been little experience of small farms, but in Ire land the experience has been ample, not merely under the worst but under the best management and the highest Irish authorities may be cited in opposition to the opinion which on this subject commonly prevails in England Mr Blacker, for example, one of the most experienced agriculturists and successful improvers in the North of Ireland, whose experience was chiefly in the best cultivited, which are also the most minutely divided parts of the country, was of opinion, that tenants , holding farms not exceeding from five

The observations in the text may hereafter require some degree of modification from inventions such as the steam plough and the reaping machine. The effect, however of these improvements on the relative advantages of large and small farms, will not depend on the efficiency of the instruments, but on their costliness. I see no reason to expect that this will be such as to make them inaccessible to small farmers, or combinations of small farmers.

to eight or ten acres, could live com fortably, and pay as high a rent as any large farmer whatever "I am tirmly persuaded" (he says,*) " that the small farmer who holds his own plough and digs his own ground, if he follows a proper rotation of crops, and feeds his cattle in the house, can undersell the large farmer, or in other words can pay a rent which the other cannot afford, and in this I am confirmed by the opinion of many practical men who have well considered the subject. The Fuglish farmer of 700 to 800 acres is a kind of man approaching to what is known by the name of a gentle-

man farmer He must have his horse to ride, and his gig, and perhaps an overseer to attend to his labourers, he certainly cannot superintend himself the labour going on in a farm of 800 acres" After a few other remarks, he adds, "Besides all these drawbacks, which the small farmer knows little about, there is the great expense of carting out the manure from the homestend to such a great distance, and again carting home the crop A single horse will consume the produce of more land than would feed a small farmer and his wife and two children is more than all, the large farmer says to his labourers, go to your work, but when the small farmer has occasion to hire them, he says, come, the intelli gent reader will, I dare say, understand the difference "

One of the objections most urged against small farms is, that they do not and cannot maintain, proportionally to their extent, so great a number of cattle as large farms, and that this occasions such a deficiency of manure, that a soil much subdivided must always be im poverished It will be found, however, that subdivision only produces this effect when it throws the land into the hands of cultivators so poor as not to possess the amount of live stock suit. able to the size of their farms A small farm and a badly stocled farm are not synonymous To make the comparison fairly, we must suppose the same

^{*} Prize Essay on the Management of Landed Property in Ireland, by William Blacker I'sq (1537)p 23

amount of capital which is possessed by the large farmers to be disseminated among the small ones When this condition, or even any approach to it, exists, and when stall feeding is practised (and stall feeding now begins to be considered good economy even on large farms), experience, far from bearing out the assertion that small farming is unfavourable to the multiplication of cattle, conclusively establishes the very reverse The abundance of cattle, and copious use of manure, on the small farms of Flanders, are the most striking features in that Hemish agriculture which is the admiration of all competent judges, whether in England or on the Continent *

* "The number of beasts fed on a farm of which the whole is arabic land," (says the elaborate and intelligent treatise on Flemish Husbandry, from personal observation and the best sources, published in the Library of the Society for the Diffusion of Usoful Knowledge) "is surprising to those who are not acquainted with the mode in which the food is prepared for the cattle A beast for every three acres of land is a common proportion, and in very small occupations where much spade husbandry s used, the proportion is still greater After comparing the accounts given in a variety of places and situations of he average quantity of milk which a cow gives when fed in the stall, the result is, that it greatly exceeds that of our best dairy farms, and the quantity of butter made from a given quantity of milk is also greater It appears astonishing that the occupier of only ten or thelve acres of light arable land should be able to maintain four or five cows, but the fact is notorious in the Waes country" (pp 59, 60)

This subject is treated very intelligently in the work of M Passy, On Systems of Cultication and their Influence on Social Economy, one of the most impartial discussions, as between the two systems, which has yet ap-

pcared in France

"Without doubt it is England that, on an equal surface feeds the greatest number of animals, Holland and some parts of Lombardy can alone vie with her in this respect: but is this a consequence of the mode of cultivation, and have not climate and local situation a share in producing it? Of this I think there can be no doubt. In fact, what ever may have been said, wherever large and small cultivation meet in the same place, the latter, though it cannot support as many sleep, possesses, all things considered, the greatest quantity of manure producing animals

"In Belgium, for example, the two provinces of smallest farms are Antwerp and East Flanders, and they possess on an average for every 100 hectares (250 acres) of cultivated land 74 horned cattle and 14 sheep

The disadvantage, when disadvan, tage there is, of small, or rather of pea sant farming, as compared with capitalist farming, must chiefly consist in inferiority of skill and knowledge, but it is not true, as a general fact, that; such inferiority exists. Countries of small farms and peasant farming, Flanders and Italy, had a good agriculture many generations before England, and theirs is still, as a whole, probably the best agriculture in the world empirical skill, which is the effect of daily and close observation, peasant farmers often possess in an eminent degree The traditional knowledge, for example, of the culture of the vine, possessed by the peasantry of the

The two provinces where we find the large farms are Namur and Hainaut, and they average, for every 100 hectares of cultivated ground, only 30 horned cattle and 45 sheep Reckoning, as is the custom, ten sheep a equal to one head of horned cattle, we find in the first case, the equivalent of 76 teast. to maintain the fecundity of the soil, in the latter case less than 35, a difference which must be called enormous (See the statistical documents published by the Minister of the Interior) The abundance of animals, in the parts of Belgium which are most subdivided, is nearly as great as in England Calculating the number in England in proportion only to the cultivated ground, there are for each 100 hectares, 65 horned cattle and nearly 260 sheep, together equal to 91 of the former, being only an excess of 15 It should besides be remembered, that in Belgium stall feeding being continued nearly the whole year, hardly any of the manure is lost, while in England, grazing in the open fields diminishes considerably the quantity which can be completely utilized

"Again, in the Department of the Nord, the arrondissements which have the smallest farms support the greate t quantity of animals. While the arrondissements of Lilic and Hazebrouck, besides a greater number of horses, maintain the equivalent of 52 and 46 head of horned cattle, those of Dunkirk and Avesnes, where the farms are larger, produce the equivalent of only 44 and 45 head. (See the statistics of 1 rance published

by the Minister of Commerce)

"A similar examination extended to other portions of France would yield similar results. In the immediate neighbourhood of towns no doubt, the small farmers, having no difficulty in purchasing manure, do not maintain animals: but, as a general rule, the kind of cultivation which takes most out of the ground must be that which is obliged to be most active in renewing its fertility. Assuredly the small farms cannot have numerous flocks of sheep, and this is an inconvenience but they support more horned cattle than the

countries where the best wines are l There is produced, is extraordinary no doubt an absence of science, or at least of theory, and to some extent a deficiency of the spirit of improvement, so far as relates to the introduction of new processes There is also a want of means to make experiments, which n an seldom be made with advantage except by rich proprietors or capitalists lAs for those systematic improvements which operate on a large tract of coun 'try at once (such as great works of draining or irrigation) or which for any other reason do really require large numbers of workmen combining their labour, these are not in general to be expected from small farmers, or even small proprietors, though combination among them for such purposes is by no means unexampled, and will become more common as their intelligence is more developed

Against these disadvantages is to be placed, where the tenure of land is of the requisite kind, an ardour of industry absolutely unexampled in any other condition of agriculture. This is a subject on which the testimony of competent witnesses is unanimous. The working of the petite culture cannot be fairly judged where the small cultivator is merely a tenant, and not even a tenant on fixed conditions, but (as

large farms To do so is a necessity they cannot escape from, in any country where the demands of consumers require their existence. If they could not fulfil this conditions the state of the could not fulfil this conditions the state of the could not fulfil this conditions.

tion, they must perish

The following are particulars the exact ness of which is fully attested by the excel lence of the work from which I extract them, the statistics of the commune of Vensat (department of Puy de Dôme) lately pub-lished by Dr Jusseraud, mayor of the com They are the more valuable, as they throw full light on the nature of the changes) which the extension of small farming has, in that district, produced in the number and kind of animals by whose manure the productiveness of the soil is kept up and in creased The commune consists of 1012 hectares, divided into 4600 percelles, owned by 591 proprietors, and of this extent 1466 hectares are under cultivation In 1790 eventeen farms occupied two-thirds of the whole and twenty others the remainder Since then the land has been much divided, and the subdivision is now extreme has been the effect on the quantity of cattle? A considerable increase. In 1790 there were

until lately in Ireland) at a nominal rent greater than can be paid, and therefore practically at a varying rent always amounting to the utmost that can be paid. To understand the subject, it must be studied where the cultivator is the proprietor, or at least a metayer with a permanent tenure, where the labour he exerts to merease the produce and value of the land avails wholly, or at least partly, to his own benefit and that of his descend In another division of our sulject, we shall discuss at some length the important subject of tenures of land, and I defer till then any citation of evidence on the marvellous industry of persant proprietors. It may suffice here to appeal to the immense amount of gross produce which, even without a permanent tenure, Luglish labourers generally obtain from their little allotments, a produce beyond com parison greater than a large farmer extracts, or would find it his interest to extract, from the same piece of land

And this I take to be the true reason why large cultivation is generally most advantageous as a mere investing ment for profit. Land occupied by a large farmer is not, in one sense of the word, farmed so highly. There is not nearly so much labour expended on it

only about 300 horned cattle, and from 1800 to 2000 sheep there are now 676 of the former and only 593 of the latter. Thus 1900 sheep have been replaced by 376 oxen and cows and (all things taken into ac count) the quantity of manure has increased in the ratio of 400 to 729 or more than 48 per cent, not to mention that the animals being now stronger and better fed yield a much greater contribution than formerly to the fertilization of the ground

'Such is the testimony of facts on the point. It is not true then, that small farm ing feeds fewer animals than large on the contrary, local circumstances being the same it feeds a greater number: and this is only what might have been presumed, for requiring more from the soil it is obliged to take greater pains for keeping up its productiveness. All the other repronches cast upon small farming when collated one by one with facts justly appreciated, will be seen to be no better founded, and to have been made only because the countries compared with one another were differently situated in respect to the general causes of agricultural prosperity' (pp 110-120)

This is not on account of any economy] arising from combination of labour, but because, by employing less, a greater return is obtained in proportion to the Is does not answer to any one to pay others for exerting all the la bonr which the peasant, or even the allotment holder, gladly undergoes when the fruits are to be wholly reaped by himself This labour, however, is not unproductive, it all adds to the With anything like gross produce equality of skill and knowledge, the large farmer does not obtain nearly so much from the soil as the small proprictor, or the small firmer with adequate motives to exertion but though his returns are less, the labour is less in a still greater degree, and as what ever labour he employs must be paid for, it does not suit his purpose to em-

» ploy more But although the grees produce of the land is greatest, other things being the same, under small cultivation, and although, therefore, a country is able on that system to support a larger aggregate population, it is generally insumed by English writers that what is termed the net produce, that is, the surplus after feeding the cultivators, must be smaller, that therefore, the population disposable for all other pur-, poses, for manufactures, for commerce and navigation, for national defence, for the promotion of knowledge, for the liberal professions, for the various functions of government, for the arts and literature, all of which are depen ! dent on this surplus for their existence as occupations, must be less numerous, and that the nation, therefore, (waving all question as to the condition of the actual cultivators,) must be inferior in the principal elements of national power, and in many of those of general well being This, however, has been raken for granted much too readily Undoubtedly, the non-agricultural po-pulation will bear a less ratio to the agricultural, under small than under But that it will be large cultivation lless numerous absolutely, is by no means a consequence . If the total population, agricultural and non agri cultural, is greater, the non agricultural

portion may be more numerous in itself. and may yet be a smaller proportion of the whole If the gross produce is, larger, the net produce may be larger, and jot bear a smaller ratio to the gross produce Yet even Mr Wake field sometimes appears to confound these distinct ideas. In France it is computed that two-thirds of the whole population are agricultural. In England, at most, one third Hence Mr. Wakefield infers, that "as in France only three people are supported by the labour of two cultivators, while in Eng land the labour of two cultivators supports are people, English agriculture is twice as productive as French agri culture," owing to the superior effi ciency of large farming through com bination of labour. But in the first place the facts themselves are over stated The labour of two persons in England does not quite support six people, for there is not a little food imported from foreign countries, and from Ireland In France, too, the labour of two cultivators does much more than supply the food of three per It provides the three persons, and occasionally foreigners, with flax, hemp, and to a certain extent with silk, oils, tobacco, and latterly sugar, which in England are wholly obtained from abroad, nearly all the timber used in France is of home growth, nearly all which is used in England is imported, the principal fuel of France is procured and brought to market by persons reckoned among agriculturists, in England by persons not so reckoned I do not take into calculation hides and wool, these products being coin mon to both countries, nor wine or brandy produced for home consumption. since England has a corresponding production of beer and spirits, but England has no material export of either article, and a great importation of the last, while France supplies wines and spirits to the whole world I say nothing of fruit, eggs, and such minor articles of agricultural produce, in which the export trade of France 18 enormous But, not to lay undue stress on these abatements, we will take the statement as it stands Suppose that

two persons, in England, do bona fide produce the food of six, while in France. for the same purpose, the labour of four Does it follow that Englis requisite lland must have a larger surplus for the support of a non agricultural popula tion? No, but merely that she can devote two-thirds of her whole produce to the purpose, instead of one third Suppose the produce to be twice as great, and the one third will amount to The fact as much as the two-thirds might be, that owing to the greater quantity of labour employed on the French system, the same land would produce food for twelve persons which on the English system would only produce it for six and if this were so, which would be quite consistent with the conditions of the hypothesis, then although the food for twelve was produced by the labour of eight, while the mx were fed by the labour of only two, there would be the same number of hands disposable for other employment in the one country as in the other am not contending that the fact is so I know that the gross produce per acre in France as a whole (though not in its most improved districts) averages nuch less than in England, and that, in proportion to the extent and fertility of the two countries, England has, in the sense we are now speaking of, much the largest disposable popula But the disproportion certainly is not to be measured by Mr Wakefield's simple criterion As well might it be said that agricultural labour in the United States, where, by a late census, four families in every five appeared to be engaged in agricul ture, must be still more inefficient than in France

The inferiority of French cultivation (which, taking the country as a whole, must be allowed to be real, though much exaggerated,) is probably more owing to the lower general average of industrial skill and energy in that country, than to any special cause and even if partly the effect of minute subdivision, it does not prove that small farming is disadvantageous, but only (what is undoubtedly the fact) that farms in France are very fre-

quently too small, and, what is worse, broken up into an almost incredible number of patches or parcelles, most in conveniently dispersed and parted from one another

As a question, not of gross, but off net produce, the comparative ments of the grande and the petite culture, especially when the small farmer is also the proprietor, cannot be looked! It is a question unon as decided on which good judges at present differ The current of English opinion is in favour of large farms on the Continent, the weight of authority scems to be on the other side sor Rau, of Heidelberg, the author of one of the most comprehensive and elaborate of extant treatises on politi cal economy, and who has that large acquaintance with facts and authorities on his own subject, which generally characterises his countrymen, lays it down as a settled truth, that small on! moderate-sized farms yield not only al larger gross but a larger net produce though, he adds, it is desirable there should be some great proprietors, to lead the way in new improvements. The most apparently impartial and discriminating judgment that I have met with is that of M. Passy, who (always speaking with reference to net produce) gives his verdict in favour of large farms for grain and forage but, for the kinds of culture which require much labour and attention. places the advantage wholly on the side of small cultivation, including in this description, not only the vine and the olive, where a considerable amount of care and labour must be bestowed on each individual plant, but also roots, leguminous_plants, and those_which furnish the materials of manufactures The small size, and consequent multiplication, of farms, according to all authorities, are extremely favourable? to the abundance of many minor products of agriculture +

* See pp 352 and 353 of a French translation published at Brussels in 1839, by M. Fred de Kemmeter, of Ghent.

f 'In the department of the Nord,' says
M. Passy, a farm of 20 hectares (50 acros)
produces in calves, dairy produce poultry,
and eggs, a value of sometimes 1000 france

It is eridout that every labourer who lextraces from the land from than his foun food and that of any family he imay have, merearcy the means of suppering a non-agricultural population. Leen if his surplus is no more than enough to buy clothes, the labourers who make the clothes are a nonarm ultural pipilati u, combled to exist by fisse which to produces ckerr aga diviral family, therefore, which produces its own neces and, alls to tim net produce of nursulture, and so does eries person born on the land, who he coupleying him selt on it. alds more to its great produce than the mere food which he cats in estimable whether examin the most sub-livited districts of I more which are cultivated by the proprietors tho multiplication of hands on the soil has apprinched, or tends to approach, withir a great distrace of this limit In Prince though the sublivision is conformally the great there is proof positive that i is far from having reached the point at which it would legin to diminish the power of supporting a mon-agric iltural population. This is do no estrated by the great in encise of the towns, which have of late increased in a much printer ratio than the population generally * show ing (unless the condition of the town lal ources in becoming rapidly detenerated which there is no reison to believed that even by the unfair and inapplicable test of proportions, the productiveness of agriculture must be This, too, concuron the mercare rently with the ampliest evidence that in the more improved districts of I rance, and in some which, until lately, were among the ununproved, there is a considerably increased consumption of country produce by the country population itself

(£40) a year—which, deducting expenses, is an addition to the net produce of 15 to 20 frames per hectare '-On Systems of Collient toon in 114.

tion p 114.

* During the internal between the census of 1851 and that of 1855 the increase of the population of Paris alone, exceeded the aggregate increase of all France while nearly all the other large towns likewise showed an increase.

Impressed with the consiction that. of all full's which can be committed by a countific writer on political and social subjects, exaggiration, an Laiser tions beyond the evidence, most require to be guarded against, I limited myself in the early editions of this work to the foregoing very moderate statements I little knew how much stronger my language mucht have been nithout exceeding the truth, and how much the actual progress of I reach agriculture surpresed anything which I had at that time kitheient grounds to The investigations of that emment authority on agricultural statistics, M Lionce do Lavoigne, undertaken by desire of the Academy of Moral and Political Sciences of the Institute of Irance, have led to the conclusion that since the Revolution of 1789, the total produce of I reach a reculture has doubled, profits and wages having both increased in about the same, and rent in a still greater ratio U de Lavergne, whose impartiality is one of his greatest merits, is, moreover, so far in this instance from the sus picton of having a case to make out, that he is inhouring to show, not how much I reach agriculture has accom plish d, but how much still remains for "We have required" (he) it to do says) "no less than seventy years to bring into cultivation two million-hec (five million English acres) "of waste land, to suppress half our fallows, double our agricultural products, in crease our population by 30 per cent, } our wages by 100 per cent, our rent by 150 per cent. At this rate we shall require three quarters of a century more to arrive at the point which I ngland has already attained "*

After this evidence, we have surely now heard the last of the incompatibility of small properties and small farms with agricultural improvement. The only question which remains open is one of degree, the comparative rapidity of agricultural improvement under the two systems, and it is the

^{*} Leonomie Rurale de la France depuis 1789 Par M. Léonce de l'avergne, Membre de l'institut et de la Societé Centrale d'Agri culture de France 2me éd p 59

general opinion of those who are equally well acquainted with both, that im provement is greatest under a due ad impture between them

In the present chapter, I do not enter on the question between great and small cultivation in any other respect than as a question of product on, and

of the eft icury of lebent. Wo shill n turn to it here ifter es affection the di tribinion of the predice and the phy ical and excist well being of the cultivators the uselves, in which aspects it de cries, at I requires, a still house particulie exactication

CHAPTER S

OF THE LAW OF THE INCEPART OF EXPOEM

§ 1 We have now successively considered each of the agents or conditions of production, and of the means by which the efficies of these various agents is promoted In order to come to an end of the questions which relate exclusively to production, one more, of primary importance, remains

Production is not a fixed, but an in-When not lept back : creasing thing by bad institutions, or a low state of the arts of life, the produce of industry has usually tended to mercase, stimu nated not only by the desire of the pro- i ducers to augment their means of consumption, but by the increasing number of the consumers Nothing in political economy can be of more im portunce than to ascertain the law of this increase of production, the conditions to which it is subject, whether it has practically any limits, and what There is also no subject in these are political economy which is popularly less understood, or on which the errors committed are of a character to produce, and do produce, greater mischief

We have seen that the essential re quisites of production are three-labour, capital, and natural agents, the term capital including all external and phy sical requisites which are products of labour, the term natural agents all those which are not But among natural agents we need not take into account

quantity, bring increally of appropria tion, and never alteria, in their quali ties, are always really to load an equal diking of payeraper to prediction. whatever may be i's extent annur. and the habt of the sin " Being nive about to conside the impullments to production, not the facilities for it we need advert to no other ratural agents than those which are liable to 13 deficient, either in quantity or 10 production power. The may be all represented by the term land in the narrowest acceptation, as the source of agricultural produce, is the chief of them, and if we extend the term to mines and fi heries-to what is found in the earth strell, or in the waters which partly cover it, as well as to what is grown or fed on its surface, it embraces everything with which we need at present concern ourselves

We may ear, then, without a greater strotch of language than under the necessary explanations is permissible, j that the requisites of production are Labour, Capital, and Land The in. crouse of production, therefore, depends on the properties of these chements is a result of the increase either of the elements themselves, or of their productiveness. The law of the increase ! of production must be a consequence of the laws of these elements, the limits! to the increase of production must bet the limits, whatever they are, set by those laws We proceed to consider those which, existing in unlimited the three elements successively, with

reference to this effect, or in other ! words the law of the increase of production, viewed in respect of its do pendence, first on Labour, secondly on Capital, and lastly on Land.

The increase of labour is the increase of mankind, of population On this subject the discussions excited by the Legay of Mr Malthus have made the truth, though by no means universally admitted, yet so fully known, that a briefer examination of the question than would otherwise have been necessary wall probably on the present occasion suffice

The power of multiplication inherent in all organic life may be regarded as There is no one species of vegetable or animal, which, if the earth were entirely abandoned to it, and to the things on which it feeds, would not in a small number of years overspread every region of the globe, of which the climite was compatible with its existence. The degree of possible rapidity 1. different in different orders of beings, but in all it is sufficient, for the earth to be very speedily filled up are many species of vegetables of which a single plant will produce in one year the germs of a thousand, if only two come to maturity, in fourteen years the two will have multiplied to sixteen thousand and more. It is but a moderate case of foundity in animals to be capable of quadrupling their numbers in a single year, if they only do as much in half a century, ten thousand will have swelled within two conturies to upwards of two millions and a half The capacity of increase is necessarily m a geometrical progression the numeneal ratio alone is different.

To this property of organized beings, the human spicies forms no exception Its power of increase is indefinite, and the actual multiplication would be extraordinarily rapid, if the power were exercised to the utmost It never 18 exercised to the utmost, and yet in the most favourable circumstances known to exist, which are those of a fertile region colonized from an industrious and civilized community, population has continued, for several the physiological conditions of fecundity may

generations, independently of fresh immigration, to double itself in not muce more than twenty years " That the expacity of multiplication in the human species exceeds even this, is evident if we consider how great is the ordinary number of children to a family, where the climate is good and early marriages usual, and how small a propor! tion of them die before the age of maturity, in the present state of hygienic knowledge, where the locality! is healthy, and the family adequately? provided with the means of hving is a very low estimate of the capacity of increase, if we only assume, that in a good sanitary condition of the people, each generation may be double the number of the generation which preceded it.

Twenty or thirty years ago, these propositions might still have required considerable enforcement and illustration, but the evidence of them is so ample and incontestable, that they have made their way against all kinds of opposition, and may now be regarded as axiomatic though extreme reluctance felt to admitting them, every now and then gives birth to some ephemeral theory, speedily forgotten, of a different law of increase in different circumstances, through a providential adaptation of the 6 cundity of the human spacies to the exigencies of society † The obstacle to a just

. This has been disputed, but the highest estimate I have seen of the term which population requires for doubling it elf in the United States, independently of immigrants and of their progeny-that of Mr Careydoes not exceed thirty years

† One of these theories, that of Mr Doubleday may be thought to require a passing notice because it has of late obtained some followers, and because it derives a semblance of support from the general analoses of organic lite. This theory maintains that the fecundity of the human animal, and of all other living beings, is in inverse proportion to the quantity of nutriment that an under fed population multiplies rapidly but that all classes in comfortable circumstances are by a physiological law, so unprolific, as sel doin to keep up their numbers without being recruited from a poorer class There is no doubt that a positive excess of nutriment, in animals as well as in fruit trees, is un favourable to reproduction; and it is quite possible, though by no means proved, that

understanding of the subject does not arise from these theories, but from too confused a notion of the causes which, at most times and places, keep the actual increase of mankind so far behind the capacity

Those causes, nevertheless, are in no way mysterious. V hat prevents the population of bares and rabbits from overstocking the cartli? Not want of fecundity, but causes very different many entmis, and in sufficient subsistence, not enough to ent, and liability to being enten. In the human race, which is not generally subject to the latter inconvenience, the comvalents for it are war and disease. If the multiplication of man kind proceeded only, like that of the other animals, from a blind instinct. it would be limited in the same manner with theirs, the births would be as numerous as the physical constitution of the species admitted of, and the nopulation would be kept down by

exist in the greatest degree when the supply of food is somewhat stinted. But any one who might be inclined to draw from this, even if admitted conclusions at variance with the principle of Mr. Malthus, needs only be invited to look through a volume of the Peerage and observe the enormous families almost universal in that class; or call to mind the large families of the Inglish clergy, and generally of the middle classes of England. It is, besides, well remarked by Mr. Carey, that, to be consistent with Mr. Doubleday stheory, the increase of the population of the United States, apart from immigration, ought to be one of the slowest on record

Mr Carey has a theory of his own, also grounded on a physiological truth that the total sum of nutriment received by an or ganized body directs itself, in largest propor tion, to the parts of the system which are most used; from which he anticipates a diminution in the fecundity of human beings not through more abundant feeding but through the greater use of their brains incident to an advanced civilization There is considerable plausibility in this speculation, and experience may hereafter confirm it. But the change in the human constitution which it supposes, if ever realized, will con duce to the expected effect rather by ren dering physical self restraint easier than by dispensing with its necessity since the most rapid known rate of multiplication is quite compatible with a very sparing employment of the multiplying power

But the conduct of horizon foresight of consequences, and by im pulses apperier to mere appeal in stincts and they do not therefore. propagate like swine, but are caralle, though in very unequal degrees, of being withheld by prail ner, or by the encial affictions, from giving existence to beings born only to mistry and pre mature death. In proporties as many kind rise alone the er dition of the beasts, population is restrained by the four of want, rither than be wint steelf I ren where there is naquestion of s'arration, many are comila is neted upon by the apprehension of laing what have come to be a randed as the decencies of their situation in life Hitherto no other motives than these two have been found strong enough, in the generality of manland, to counter act the tendercy to merches been the practice of a great respenty of the middle and the power cla es, whenever free from external control. to marry as early, and in mort coun tries to line as many children, as was consistent with traintaining thems lives in the condition of life which they were born to, or were accustomed to consider as theirs. Among the middle class a in many individual instances, there is an additional restraint exercised from the desire of doing more than main

* Mr Carey expatiates on the absurdity of supposing that matter tends to as ume the highest form of organization, the human at a more rapid rate than it a umes the lower forms which compose human food; that human beings multiply faster than turning and cabbages. But the limit to the increase of mankind according to the doctrine of Mr. Malthus, does not depend on the power of increase of turnips and cabbages but on the limited quantity of the land on which they can be grown So long as the quantity of land is practically unlimited which it is in the United States, and food, consequently can be increa ed at the highest rate which is natural to it mankind also may without augmented difficulty in obtaining subsistence increase at their highest rate When Mr Carey can show, not that turnips and cah bages but that the soil itself, or the nutritive elements contained in it, tend naturally to multiply, and that, too at a rate exceeding the most rapid possible increase of mankind, he will have said something to the purpose, Till then, this part, at least, of his argument may be considered as non existent

proving them, but such a desire is rarely found, or rarely has that effect, in the labouring classes If they can bring up a family as they were themselves brought up, even the prudent among them are usually satisfied. Too often they do not think even of that, but rely on fortune, or on the resources to be found in legal or voluntary

charity In a very backward state of society, like that of Europe in the Middle Ages, and many parts of Asia at present, population is kept down by actual The starvation does not starvation take place in ordinary years, but in seasons of scarcity, which in those states of society are much more frequent and more extreme than Europe is now accustomed to. In these seasons actual want, or the maladies conse quent on it, carry off numbers of the population, which in a succession of favourable years again expands, to be ngain cruelly decimated. In a more improved state, few, even among the poorest of the people, are limited to actual necessaries, and to a bare sufficiency of those and the increase is kept within bounds, not by excess of deaths, but by limitation of births The limitation is brought about in various ways In some countries, it is the result of prudent or conscientious There is a condition to self restraint which the labouring people are habituated, they perceive that by having too numerous families, they must sink below that condition, or fail to trans mit it to their children, and this they do not choose to submit to countries in which, so far as is known, a great degree of voluntary prudence has been longest practised on this subject, are Norway and parts of Switzerland Concerning both, there happens to be unusually authentic in formation, many facts were carefully brought together by Mr Malthus, and much additional evidence has been obtained since his time In both these countries the increase of population is very slow, and what checks it, is not multitude of deaths, but fewness of Both the births and the a long period of high prices, made birthe

taining their circumstances - of im- | deaths are remarkably few in propor tion to the population, the average, duration of life is the longest in Europe, the population contains fewer children, and a greater proportional number of persons in the vigour of life, than is known to be the case in any other part of the world. The paucity of births tends directly to prolong life, by keeping the people in comfortable circumstances, and the same prudence is doubtless exercised in avoiding causes of disease, as in keeping olear of the principal cause of poverty It is worthy of remark that the two countries thus honourably distinguished, are countries of small landed, proprietors

There are other cases in which the prudence and forethought, which per haps might not be exercised by the people themselves, are exercised by the state for their benefit, marriage not) being permitted until the contracting parties can show that they have the prospect of a comfortable support. Under these laws, of which I shall speak more fully hereafter, the condi tion of the people is reported to be good, and the illegitimate births not so numerous as might be expected. There are places, again, in which the restraining cause seems to be not so much individual prudence, as some general and perhaps even accidental habit of the country In the rural districts of England, during the last century, the growth of population was very effectually repressed by the diffi culty of obtaining a cottage to live in It was the custom for unmarried lasbourers to lodge and board with their employers, it was the custom for mar ried labourers to have a cottage and the rule of the English poor laws by which a parish was charged with the support of its unemployed poor, rendered landowners averse to promote! About the end of the cen marriage tury, the great demand for men in war and manufactures, made it be thought a patriotic thing to encourage populaand about the same time the growing inclination of farmers to live like rich people, favoured as it was by

Longer refused permission to build some countries an old standing custom that a garl should not marry until she had spun and woven for herelf an ample trousseau (de timed for the supply of her whole subsequent life' is enid to have acted as a substrutial check to population. In Lindand, at present, the influence of prud nee in keeping down inultiplication is ean by the diminished number of marriage. in the manufacturing di tricte in ac 🔫 when tride is bad

But whatever be the cruses by which the population is anywhere limited to a comparatisely slow rate of increase, an acceleration of the rate very speedily follows any diminution of the motives to restraint It is but rarely that improvements in the condition of the labouring classes do any thing more than give a temporary margin, speedily filled up by an in crease of their numbers. The use they commonly choose to make of any ad vantageous change in their circum stances, is to take it out in the form which, by augmenting the population, deprives the succeeding generation of the benefit Unle s, either by their general improvement in intellectual and moral culture, or at least by raising their habitual standard of comfortable living, they can be taught to make a better use of favourable cir

them degrous of keeping inf riors at a curretances, nothing perminent can be a greater distance, and pecuniary done for them, the most pecuniang motives arising from abu a of the Jachemes out only in having a more poor laws being superalled, they nurserous, but not a happier per legendually drove their labourers into By their habitual standard, I mean cottages, which the landlords now no ; that (when any such there is) down to which ther will maliply, but not larry advance they make in loner education, civilization, and a grad are procement, to advice me a this stan land, and there is no dealer that it is gradually though shale, noing in the mon advanced contract of Western I ur u∞ Substance and emplement in Ingland have rever mercal Imore ratelly than in the last firth vents. but over centus einee 1521 ehrwed 🛎 smaller propertional in email of the rula. tion than that of the perioding, and the produce of I rench a marking and industry is increasing in a proan rive ratio, while the population exhibits, in erroy quinguernial census, a smaller proportion of Limbs to the population

The subject, harever, of population, in its connexion with the evalution of the labouring classes, will be considered in another jd ce in the present, we have to do with it ealely as one of the claments of Production and in that charvier ne could not dis peace with ponting out the infinited extent of its intural powers of the case, and the causes owing to which so small a portion of that unlimited power is for the most part actually evercised. After this brief indication, we shall proceed to the other

CHAPTER XL

elements

OF THE LAW OF THE INCREASE OF CAPITAL

been seen from the preceding chapter | that the impediments to the increase first of these elements. On the side tratio. If the only essential condition 117

§ 1 The requisites of production; of labour there is no obstacle to an being labour, capital, and land, it has increase of production, indefinite in extent and of unsluckening rapidity Population has the power of increasing of production do not arise from the in an uniform and rapid geometrical of production were inhour, the produce | landlord, under the idea that nothing might, and naturally would, increase in the same ratio, and there would be no limit, until the numbers of mankind were brought to a stand from actual his expenses. But this is too narrow

want of space

But production has other requisites, and of these, the one which we shall henext consider is Capital. There cannot be more people in any country, or in the world, than can be supported from the produce of past labour until that of present labour comes in will be no greater number of productive labourers in any country, or in the world, than can be supported from that portion of the produce of past labour, which is spared from the enjoyments of its possessor for purposes of reproduction, and is termed Capital. have next, therefore, to inquire into the conditions of the increase of capital, the causes by which the rapidity of its increase is determined, and the necessary limitations of that increase

Since all capital is the product of saving, that is, of abstinence from present consumption for the sake of a future good, the increase of capital must_depend_upon_two_things—the amount of the fund from which saving can be made, and the strength of the dispositions which prompt to it

The fund from which saving can be made, is the surplus of the produce of labour, after supplying the necessaries of life to all concerned in the produc-(including those employed in replacing the materials, and keeping the fixed capital in repair) than this surplus cannot be saved ander any circumstances As much as this, though it never is saved, always might be This surplus is the fund from which the enjoyments, as distinguished from the necessaries of the producers, are provided, it is the fund from which all are subsisted, who are not themselves engaged in production, and from which all additions are made to capital. It is the real net The_phrase, produce of the country not produce, is often taken in a more hmited sense, to denote only the profits of the capitalist and the rent of the

can built included in the net produce of capital, but what is returned to the owner of the capital after replacing his expenses But this is too narrow an acceptation of the term capital of the employer forms the revenue of the labourers, and if this exceeds the necessaries of life, it gives them a surplus which they may either expend in enjoyments or save every purpose for which there can be occasion to speak of the net produce of industry, this surplus ought to be in cluded in it When this is included, and not otherwise, the net produce of the country is the measure of its effective power, of what it can spare for any purposes of public utility, or private indulgence, the portion of its produce of which it can dispose at pleasure, which can be drawn upon to attain any ends, or gratify any wishes, either of the government or of individuals, which it can either spend for its satisfaction, or save for future advantage

The amount of this fund, this net produce, this excess of production above the physical necessaries of the producers, is one of the elements that determine the amount of saving greater the produce of labour after supporting the labourers, the more there is which can be saved same thing also partly contributes to determine how much will be saved. A part of the motive to saving consists in the prospect of deriving an income from savings, in the fact that capital, employed in production, is capable of not only reproducing itself but yielding an increase The greater the profit that can be made from capital, the stronger is the motive to its accumu That indeed which forms the lation inducement to save, is not the whole of the fund which supplies the means? of saving, not the whole net produce of the land, capital, and labour of the country, but only a part of it, the part which forms the remuneration of the capitalist, and is called profit of stock. It will however be readily enough understood, even previously to the ex planations which will be given hereafter, that when the general preducto be large, and that some proportion, though not an uniform one, will com monly obtain between the two

But the disposition to kave does not wholly depend on the external inducement to it, on the amount of torofit to be made from envinge the same pecuniary inducement, the inclination is very different, in differ ent persons, and in different commu nities. The effective desire of accumin lation is of unequal strength, not only according to the varieties of individual character, but to the general state of society and civilization like all other moral attributes, it is one in which the human race exhibits great differences, conformably to the diversity of its circumstances and the stage of its progress 🕠

On topics which if they were to be fully investigated would exceed the bounds that can be allosted to them in this treatise, it is satisfactory to be able to refer to other works in which the necessary developments have been presented more at length On the subject of Population this valuable service has been rendered by the celebrated Essay of Mr Halthus, and on the point which now occupies us I can refer with equal confidence to another, though a less known work, "New Principles of Political I conomy," by Dr Rue * In no other

" This treatise is an example, such as not unfrequently presents itself, how much more depends on accident than on the qualities of a book in determining its reception. Had it appeared at a suitable time and been fa voured by circumstances, it would have had every requisite for great success. The author a Scotchman settled in the United States unites much knowledge an original vein of thought, a considerable turn for philosophic reneralities, and a manner of exposition and illustration calculated to make ideas tell not only for what they are worth but for more than they are worth, and which sometimes, I think, has that effect in the writer's own mind. The principal fault of the book is the position of antagonism in which with the controversial spirit apt to be found in those who have new thoughts on old subjects, he has placed himself towards Adam Smith I call this a fault, (though I think many of

book known to me is so much light tiveness of labour and capital is great, I thrown, both from 1711 iple and the returns to the capitalist are likely chistory, on the causes which delir mine the accumulation of capital.

All accumulation involves the sacrifice of a present, for the rake of a future rood. But the expedien refunch a sucrifice varies very riuch in diff is nt states of encometances, and the willingues to make it, varies still more

In weighing the future against the present, the uncertainty of all things future is a leading eliment, and that uncertainty is of servidifferent degrees. "All circumstances ' then fore, "in creasing the probability of the provi sion ve make for futinity bring en loyed by ourselves or others, tend" " to and remountily strength to the efficien desire of accumulation. Thus a licalthy climate or occupation by irentaling the probalality of life, has a tendency to ade to this desire. When enraged it safe occupations, and living in healths countries, men are much more apt to be fregal than in unlealthy or hazard ous constitute, and in christes per melous to humen life Salors and soldiers are proligals. In the Wer-Indee, New Orleans, the I set Indies the expenditure of the inhabitants i profuse The same people, coming to reside in the healthy parts of I prope and not getting into the vortex c extravagant fashion, live economically War and peatilence have always wart and luxury among the other exils tha follow in their train. Lor simila reasons, whatever gives aggingly to th alliurs of the community is incourable to the strength of this principle this respect the general provalence c law and order, and the prospect of th continuance of peace and tranquility have considerable influence "f Th more perfect the security, the greate

the criticisms just, and some of them faseeing) because there is much less real di ference of opinion than might be suppore from Dr Rae sanimadversions and becam what he has found vulnerable in his gree predecessor is chiefly the ' human too much in his premises; the portion of them that over and above what was either required (is actually used for the establishment of h conclusions.

† Rae p 123

will be the effective strength of the desire of accumulation. Where property is less safe, or the vicissitudes ruinous to fortunes are more frequent and severe, fewer persons will save at all, and of those who do, many will require the inducement of a higher rate of profit on capital, to make them prefer a doubtful future to the temptation of present enjoyment.

These are considerations which affect the expediency, in the eye of reason, of consulting future interests at the expense of present. But the inclination to make this sacrifice does not solely depend upon its expediency. The disposition to save is often far short of what reason would dictate and at other times is hable to be in excess of it.

Deficient strength of the desire of recumulation may arise from upprovedence, or from want of interest in others Improvidence may be connected with intellectual as well as inoral causes. Individuals and communities of a very low state of intelligence are always improvident certain measure of intellectual development seems necessary to enable absent things, and especially things future, to act with any force on the imagination and will The effect of want of interest in others in diminishing accumulation, will be admitted, if we consider how much saving at present takes place, which has for its object the interest of others rather than of ourselves, the education of children, their advance ment in Tile, the future interests of distribution of the power of the power - of promoting by the bestowal of money or time, objects of public or private usefulness. If mankind were generally in the state of mind to which some approach was seen in the declining period of the Roman empire-caring nothing for their heirs, as well as nothing for friends, the public, or any object which survived them —they would seldom deny themselves any indulgence for the sake of saving, beyond what was necessary for their own future years, which they would place in life annuities, or in some other form which would make its existence and their lives terminate together

§ 3 From these various causes, intellectual and moral, there is, in differ ! ent portions of the human race, a greater diversity than is usually ad verted to, in the strength of the effective desire of accumulation A backward state of general civilization is often more the effect of deficiency in this particular than in many others which attract more attention In the cir cumstances, for example, of a hunting tribe, "man may be said to be necessarily improvident, and regardless of futurity, because, in this state, the future presents nothing which can be with certainty either foreseen or go-Besides a want of the motives exciting to provide for the needs of futurity through means of the abilities of the present, there is a want of the habits of perception and action, leading to a constant connexion in the mind of those distant points, and of the series of events serving to unite them Even, therefore, if motives be awakened capable of producing the exertion necessary to effect this connexion, there remains the task of training the mind to think and act so as to establish it"

For instance "Upon the banks of the St Lawrence there are several little Indian villages They are sur rounded, in general, by a good deal of land, from which the wood seems to have been long extirpated, and have, besides, attached to them, extensive tracts of forest The cleared land is rarely, I may almost say never, cultivated, nor are any inroads made in the forest for such a purpose The soil is. nevertheless, fertile, and were it not, manure hes in heaps by their houses Were every family to inclose half an acre of ground, till it, and plant it in potatoes and maize, it would yield a sufficiency to support them one half the year They suffer, too, every now and then, extreme want, insomuch that, joined to occasional intemperance, _ it is rapidly reducing their numbers This, to us, so strange apathy proceeds not, in any great degree, from repug nance to labour, on the contrary, they apply very diligently to it when its reward is immediate. Thus besides their peculiar occupations of hunting

and fishing, in which they are ever i ready to engage, they are much em ployed in the navigation of the St. Lawrence, and may be seen labouring at the oar, or setting with the pole, in the large boats used for the purpose. and always furnish the greater part of the additional hands necessary to conduct rafts through some of the rapids Nor is the obstacle aversion to a.m. This is no doubt a cultural labour prejudice of theirs, but mere prejudices always yield, principles of action cannot When the returns from be created. agricultural labour are speedy and great, they are also agriculturists Thus, some of the little islands on Lake St Francis, near the Indian village of St Regis, are favourable to the growth of maize, a plant yielding a return of a hundredfold, and forming, even when half ripe, a pleasant and Patches of the substantial repast best land on these islands are, therefore, every year cultivated by them for this purpose As their situation renders them inaccessible to cattle, no fence is required, were this additional outlay necessary, I suspect they would be neglected, like the commons adjoining their village. These had apparently, at one time, been under crop cattle of the neighbouring settlers would now, however, destroy any crop not securely fonced, and this additional necessary outlay consequently bars It removes them to an their culture order of instruments of glower return than that which corresponds to the strength of the effective desire of accu mulation in this little society

"It is here deserving of notice, that what instruments of this kind they do form, are completely formed. The small spots of corn they cultivate are thoroughly weeded and hoed. A little neglect in this part would indeed reduce the crop very much, of this experience has made them perfectly aware, and they act accordingly. It is condently not the necessary labour that has the obstacle to more extended culture, but the distant return from that labour. I am assured, indeed, that among some of the more remote tribes, the labour thus expended much exceeds

that given by the whites The same portions of ground being cropped with out remission, and manure not being used, they would scarcely yield any return, were not the soil most carefully broken and pulverized, both with the hoe and the hand In such a situation a white man would clear a fresh niece of ground It would perhaps scarce repay his labour the first year, and he would have to look for his reward in succeeding years On the Indian, succeeding years are too distant to make sufficient impression, though, to obtain what labour may bring about in the course of a few months, he toils even more assiduously than the white man "*

This view of things is confirmed by the experience of the Jesuits, in their in teresting efforts to civilize the Indians of Paraguay They gained the confi dence of these savages in a most extraordinary degree They acquired influence over them sufficient to make them change their whole manner of They obtained their absolute submission and obedience They established peace They taught them all the operations of European agricul ture, and many of the more difficult There were everywhere to be seen, according to Charlevoix, "work shops of gilders, painters, sculptors, goldsmiths, watchmakers, carpenters, joiners, dyers," &c These occupations were not practised for the personal gun of the artificers the produce was at the absolute disposal of the initsionanes, who ruled the people by a voluntary despotism The obstacles arising from aversion to labour were therefore very completely overcome The real difficulty was the improvi dence of the people, their mability to think for the future, and the necessity accordingly of the most unremitting and minute superintendence on the "Thus at part of their instructors first, if these gave up to them the care of the oxen with which they ploughed, their indolent thoughtlessness would probably leave them at evening still yoked to the implement Worse than this, instances occurred where they cut them up for supper, thinking, when re-Rac. p 186

prehended, that they sufficiently excused themselves by saving they were These fathers, says Ul lon have to visit the houses, to examine what is really wanted for, without this care, the Indians would never look after anything They must be present, too, when animals are slaughtered, not only that the meat may be equally divided, but that nothing min be lost" "But not withstanding all this care and su perintendence," says Charlevoix, "and all the precautions which are taken to prevent any want of the necessaries of life, the miss onance are sometimes much embarrassed. It often happens that they" (the Indians) "do not reserve to themselves a sufficiency of grain, even for seed. As for their other provisions, were they not well looked after, they would soon be without wherewithal to support life "*

As an example intermediate, in the strength of the effective desire of accumulation, between the state of things thus depicted and that of modern Europe, the case of the Chinese de-From various cirizerves attention cumstances in their personal habits and social condition, it might be an tropped that they would possess a degree of prudence and self-control greater than other Asiatics, but inferior to most Luropean nations, and the following evidence is adduced of the fact y"Durability is one of the chief qualities, marking a high degree of the effective desire of accumulation. The testimony of travellers ascribes to the instruments formed by the Chinese, s very inferior durability to similar instruments constructed by Europeans The houses, we are told, unless of the higher ranks, are in general of unburnt bricks, of clay, or of hurdles plastered with earth, the roofs, of reeds fastened We can scarcely conceive more unsubstantial or temporary fabrics Their partitions are of paper, requiring to be renewed every year A similar observation may be made concerning their implements of husbandry, and other utensils. They are almost entirely of wood, the metals entering but very sparingly into their construc-

tion, consequently they soon wear out. and require frequent renewals greater degree of strength in the effective desire of accumulation, would cause them to be constructed of mate rials requiring a greater present expenditure, but being far more durable From the same cause, much land, that in other countries would be cultivated. hes waste All travellers take notice of large tracts of lands, cluefly swamps, which continue in a state of nature To bring a swamp into tillage is generally a process, to complete which, requires several years. It must be previously drained, the surface long exposed to the sun, and many operations performed, before it can be made capable of bearing a crop Though yielding, probably, a very considerable return for the labour bestowed on it, that return is not made until a long time has clapsed The cultivation of such land implies a greater strength of the effective desire of accumulation

than exists in the empire

"The produce of the harvest is, as we have remarked, always an instru ment of some order or another, it is a provision for future want, and regulated by the same laws as those to which other means of attaining a similar end It is there chiefly rice, of which there are two harvests, the one',) in June, the other in October period then of eight months between October and June, is that for which provision is made each year, and the different estimate they make of to-day and this day eight months will appear in the self denial they practise now, in order to guard against want then The amount of this self-denial would seem to be small The father Parennin, indeed, (who seems to have been one! of the most intelligent of the Jesuits, and spent a long life among the Chinese of all classes,) asserts, that it is their great deficiency in fore! thought and trugality in this respect, which is the cause of the scarcities and famines that frequently occur"

That it is defect of providence, not de fect of industry, that limits production among the Chinese, is still more of vious than in the case of the semi-agri-

* Rae p 140

"Where the reculturalised Indians turns are quick, where the instruments formed require but little time to bring the events for which they were formed to an issue," it is well known that "the great progress which has been made in the knowledge of the arts suited to the nature of the country and the wants of its inhabitants" makes industry energetic and effective "The warmth of the chmate, the natural fer tility of the country, the knowledge which the inhabitants have acquired of the arts of agriculture, and the discovery and gradual adaptation to every soil of the most useful vegetable productions, enable them very speedily to draw from almost any part of the surface, what is there esteemed an equivalent to much more than the labour be stowed in tilling and cropping it They have commonly double, sometimes treble harvests These, when they consist of a grain so productive as rice, the usual crop, can scarce fail to yield to their skill, from almost any portion of soil that can be at once brought into culture, very ample returns Accordingly there is no spot that labour can immediately bring under cultivation that is not made to Hills, even mountains are ascended and formed into terraces, and water, in that country the great productive agent, is led to every part by drains, or carried up to it by the in genious and simple hydraulic machines which have been in use from time im memorial among this singular people They effect this the more easily, from the soil, even in these situations, being very deep and covered with much vegotable mould. But what yet more than this marks the readiness with which labour is forced to form the most diffi cult materials into instruments, where these instruments soon bring to an assue the events for which they are formed, is the frequert occurrence on many of their lakes and rivers, of struc tures resumbling the floating gardens of the Peruvians, rafts covered with regetable soil and cultivated Labour in this way draws from the materials on which it acts very speedy returns Nothing can exceed the luxuriance of .

vegetation when the quickening powers of a genial sun are ministered to by a rich soil and abundant moisture otherwise, as we have seen, in cases where the return, though copious, 18 European travellers are sur distant prised at meeting these little floating . farms by the side of swamps which only require draining to render them tillable It seems to them strange that labour should not rather be bestowed on the solid earth, where its fruits might endure, than on structures, that must decay and perish in a few The people they are among, years think not so much of future years, as of the present time The effective de sire of accumulation is of very different strength in the one, from what it is in the other The views of the European extend to a distant futurity, and he is surprised at the Chinese, condemned, through improvidence, and want of sufficient prospective care, to incessant toil, and as he thinks, insufferable The views wretchedness of the Chinese are confined to narrower bounds, he is content to live from day! to day, and has learnt to conceive even a life of toil a blessing "* 🗸

When a country has carried production as far as in the existing state of knowledge it can be carried with an amount of return corresponding to the average strength of the effective desire of accumulation in that country, it has reached what is called the stationary state, the state in which no further ad dition will be made to capital unless there takes place either some improve ment in the arts of production, an increase in the strength of the de sire to accumulate. In the stationary state, though capital does not on the whole increase, some persons grow richer and others poorer Those whose degree of providence is below the usual standard, become impoverished, their capital perishes, and makes room for the savings of those whose effective desire of accumulation exceeds the ave rage These become the natural pur chasers of the land, manufactories, and other instruments of production owned by their less provident countrymen.

* Rac, pp '51-K.

What the causes are which make the return to capital greater in one country than in another, and which, in certain circumstances, make it impossible for any additional capital to find investment unless at diminished returns, will appear clearly hereafter. In China, if that country has really attained, as it is supposed to have done, the sta tionary state, accumulation has stopped when the returns to capital are still as high as is indicated by a rate of interest legally twelve per cent, and practically varying (it is said) between eighteen and thirty six. It is to be presumed therefore that no greater amount of capital than the country already possesses, can find employment at this high rate of profit, and that any lower rate does not hold out to a Chinese sufficient temptation to induce him to abstain from present enjoyment What a contrast with Holland, where, during the most flourishing period of its history, the government was able habitually to borrow at two per cent, and private individuals, on good secu rity, at three. Since China is not a country like Burnah, or the native states of India, where an enormous in terest is but an indispensable compenisation for the risk incurred from the bad faith or poverty of the state, and of almost all private borrowers, the fact, if fact it be, that the increase of capital has come to a stand while the returns to it are still so large, denotes a much less degree of the effective deisire of accumulation, in other words a much lower estimate of the future relaitively to the present, than that of most European nations

We have intherto spoken of countries in which the average strength of the desire to accumulate is short of that which, in circumstances of any tolerable security, reason and sober calculation would approve. We have now to speak of others in which it deedly surpasses that standard. In the more prosperous countries of Europe, there are to be found abundance of prodigals, in some of them (and in none more than England) the ordinary degree of economy and providence

among those who live by manual la bour cannot be considered high, still, in a very numerous portion of the com munity, the professional, manufactu ring, and trading classes, being those who, generally speaking, unite more of the means with more of the motives for saving than any other class, the spirit of accumulation is so strong, that the signs of rapidly increasing wealth meet every eyo and the great amount of capital seeking investment excites astonishment, whenever peculiar cir cunistances turning much of it into some one channel, such as radway construction or foreign speculative adventure, bring the largeness of the total amount into evidence

There are many circumstances which, in England, give a peculia force to the accumulating propensity The long exemption of the country from the ravages of war, and the far earlies period than elsewhere at which property was secure from military violence or arbitrary spoliation, have produced a long-standing and hereditary confidence in the safety of funds v hen trusted out of the owner's hands, which in most other countries is of much more recent origin, and less firmly established The geographical causes which have made industry rather than war the natural source of power and importance to Great Britain, have turned an un usual proportion of the most enterprising and energetic characters into the direction of manufactures and com merce, into supplying their wants and gratifying their ambition by producing and saving, rather than by appropria ting what has been produced and Much also depended on the saved better political institutions of this country, which by the scope they have allowed to individual freedom of action, have encouraged personal activity and self rehance, while by the liberty they confer of association and combination, they facilitate industrial enterprise on a large scale The same institutions in another of their aspects, give a most direct and potent stimulus to the desire of acquiring wealth The earlier decline of feudalism having removed or, much weakened invidious distinctions

ibutween the originally trading classes i fand those who had been accustomed to Lespise them, and a polity having grown up which made wealth the real source of political influence, its acquisition was invested with a factitious value, independent of its intrinsic utihty It became synonymous with power, and since power with the common herd of mankind gives power, wealth became the chief source of personal consideration, and the measure and stamp of success in life To get out of one rank in society into the next above it, is the great aim of English middle-class life, and the acquisition of wealth the And masmuch as to be rich without industry, has always hitherto constituted a step in the social scale above those who are rich by means of industry, it becomes the object of am bition to save not merely as much as will afford a large income while in busi ness, but enough to retire from business and live in affluence on realized gains These causes have in England been greatly aided by that extreme incapacity of the people for personal enjoyment, which is a characteristic of countries over which puritanism has passed But if accumulation is, on one hand, rendered easier by the absence of a taste for pleasure, it is, on the other, made more difficult by the presence of a very real taste for expense So strong is the association between personal consequence and the signs of wealth, that the silly desire for the appearance of a large expenditure has the force of a passion, among large classes of a nation which derives less pleasure than perhaps any other in the world from what it spends. Owing to this circumstance, the effective desire of ac-

cumulation has never reached so high a pitch in England as it did in Holdland, where, there being no rich idle class to set the example of a reckless, expenditure, and the mercantile classes, who possessed the substantial power on which social influence always waits, being left to establish their own scale of living and standard of propriety their habits remained frugal and unos tentations.

In England and Holland, then, for a long time past, and now in most other countries in Europe (which are rapidly following England in the same race), the desire of accumulation does not require, to make it effective, the copious returns which it requires in Asia, but is sufficiently called into action by a rate of profit so low, that instead of slackening, accumulation seems now to proceed more rapidly than ever, and the second requisite of increased production, increase of capi tal, shows no tendency to become deficient. So far as that element is concerned, production is susceptible of an mcrease without any assignable bounds

The progress of accumulation would no doubt be considerably checked, if the returns to capital were to be reduced still lower than at present But why should any possible increase of capital have that effect? This question carries the mind forward to the remaining one of the three requisites of production The limitation to produci tion, not consisting in any necessary limit to the increase of the other two elements, labour and capital, must turn upon the properties of the only element. which is inherently, and in itself, limited in quantity. It must depend on the properties of land.

CHAPTER XIL

OF THE LAW OF THE INCREASE OF PRODUCTION FROM LAND

§ 1 Land differs from the other i definite increase. Its extent is limited, selements of production, labour and said the extent of the more productive capital, in not being susceptible of in- kinds of it more limited still. It is

lalso evident that the quantity of pro- ! dice capable of bring raised on any given piece of land is not indefinite This limited quantity of land, and limited productiveness of it, are the real limits to the increase of production

That they are the ultimate limits. must always have been clearly seen But since the final barrier has never in any instance been reached, since there is no country in which all the land, capable of vielding food, is so highly cultivated that a larger produce could not (even without supposing any fresh advance in agricultural know ledge) be obtained from it, and since a large portion of the earth's surface still remains entirely uncultivated, it is commonly thought, and is very natural at first to suppose, that for the present all limitation of production or population from this source is at an indefinite distance, and that ages must clapse before any practical necessity arises for taking the limiting principle into serious consideration

I apprehend this to be not only an error, but the most serious one, to be found in the whole field of political economy The question is more important and fundamental than any other, it involves the whole subject of the causes of poverty, in a rich and industrious community, and unless this one matter be thoroughly understood, it is to no purpose proceeding any further in our inquiry

§ 2 The limitation to production from the properties of the soil, 18 not like the obstacle opposed by a wall, which stands immovable in one particular spot, and offers no handrance to motion short of stopping it entirely We may rather compare it to a highly clustic and extensible band, which is hardly ever so violently stretched that it could not possibly be stretched any more, yet the pressure of which is felt long before the final limit is reached, and felt more severely the nearer that limit is approached

After a certain, and not very advanced, stage in the progress of agriculture, it is the law of production from the land, that in any given state | times instead of twice, it might be

of agricultural skill and knowledge, by increasing the labour, the produce is not increased in an equal degree, doubling the labour does not double the produce, or, to express the same thing in other words, overy increase of produce is obtained by a more than proportional increase in the application of labour to the land"

This general law of agricultural industry is the most important propo-Bition in political economy Were the law different, nearly all the phenomena of the production and distribution of wealth would be other than they are The most fundamental errors which still prevail on our subject, result from not perceiving this law at work under neath the more superficial agencies on which attention fixes itself, but mistaking those agencies for the ulti mate causes of effects of which they may influence the form and mode, but of which at alone determines the essence

When, for the purpose of raising an increase of produce, recourse is had to inferior land, it is evident that, so far, the produce does not increase in the same proportion with the labour very meaning of inferior land, is land which with equal labour returns a smaller amount of produce may be inferior either in fertility or in situation The one requires a greater proportional amount of labour for grow ing the produce, the other for carrying it to market If the land A yields a thousand quarters of wheat, to a given outlay in wages, manure, &c, and in order to raise another thousand recourse must be had to the land B which is either less firtile or more distant from the market, the two thousand quarters will cost more than twice as much labour as the original thousand, and the produce of a riculture will be increased in a less ratio than the labour employed in procuring it

Instead of cultivating the land B, it would be possible, by higher cultivations vation, to make the land A produce/s more It might be ploughed or har rowed twice instead of once, or three

dug instead of being ploughed, after, ploughing, it might be gone over with a hoe instead of a harrow and the soil more completely pulverized, it might be oftener or more thoroughly weeded, the implements used might be of higher finish, or more elaborate construction, a greater quantity or more expensive kinds of manure might be applied, or when applied, they might be more carefully mixed and incorporated with the soil. These are some of the modes by which the same land may be made to yield a greater produce, and when a greater produce must be had, some of these are among the means usually employed for obtaining it. But, that it is obtained at a more than proportional increase of expense, is evident from the fact that inferior lands are cultivated. Inferior lands, or lands at a greater distance from the market, of course yield an inferior return, and an increasing demand cannot be supplied from them bna, teos do nortatromeura na ta eveluu, therefore of price If the additional 'demand could continue to be supplied from the superior lands, by applying additional labour and capital, at no greater proportional cost than that at which they yield the quantity first demanded of them, the owners or farmers of those lands could undersell all others, and engriss the whole market. Lands of a lower degree of fertility or in a more remote situation, might indeed be cultivated by their proprietors for the sake of subsistence or independence, but it never could be the interest of any one to farm them for profit That a profit can be made from them, sufficient to attract capital to such an investment, is a proof that cultivation on the more eligible lands has reached a point, beyond which any greater application of labour and capital would rield, at the best, no greater return than can be obtained at the same expense from less fertile or less favourably entunted lands

The careful cultivation of a well farmed district of Fingland or Scotland is a symptom on I an effect of the more unfavourable terms which the land has begun to exact for any increase of its

fruits Such claborate cultivation costs much more in proportion, and requires a higher price to render it profitable, than farming on a more superficial system, and would not be adopted if access could be had to land of equal fertility, previously unoccupied. Where there is the choice of raising the in creasing supply which society requires, from fresh land of as good quality as that already cultivated, no attempt is made to extract from land anything approaching to what it will yield on what are esteemed the best European The land is modes of cultivating tasked up to the point at which the greatest return is obtained in proportion (to the labour employed, but no further any additional labour is carried else where "It is long," says an intelligent traveller in the United States,* "before an English eye becomes reconciled to the lightness of the crops and the careless farming (as we should call it) which is apparent. One forgets that where land is so plentiful and labour so dear as it is here, a totally different prin ciple must be pursued to that which prevails in populous countries, and that the consequence will of course be a want of tidiness, as it were, and finish, about everything which requires labour" Of the two causes mentioned, the plentifulness of land seems to me the true explanation, rather than the dearness of labour, for, however dear labour may be, when food is wanted. labour will always be applied to producing it in preference to anything But this labour is more effective for its end by being applied to fresh soil, than if it were employed in bring ing the soil already occupied into higher cultivation Only when no soils remain to be broken up but such as either from distance or inferior quality require a considerable rise of price to render their cultivation profitable, can it become advantageous to apply the high farming of Europe to any American lands, except, perhaps, in the immediate vicinity of towns, where saving in cost of carriage may compensate for

Litters from America by John Robert Godlev, vol 1 p 42 See also Lyell's Tracely in America, vol 11 p 82

great inferients in the return from the solute of As American farming is to English, so is the ordinary Leglish to that of Flandon, Legany, or the Terra di Layro where by the application of a for greater quantity of labour there is of wined a considerably larger grees probable, but on such terms as would never be advantage or to a mere speculator for profit, unless made so he much higher prices of agricultural produce.

The principle which has now been stried mest is necessed no doubt, with eration explanations and limitations Fren after the land is so highly culti rated that the mere application of ad d tional labour, or of an additional amount of ord name drawing, would rield no retern proporty and to the ex pense, it may still happen that the application of a much greater additional libour and car'tal to improving the sol itself, by draining or permanent rin iures voild le as liberally remu nemted by the freduce, as any portion of the labour and capital already employed. It would sometimes be much more emply in a preceded. This could not be if capital als ive sought and found the most advantageous employment, but if the most advantageous employment has to nait longest for its retruncration, it is only in a rather advanced stage of industrial development that the preference will be given to it, and even in that advirced stage, the lars or usages connected with property in land and the tenure of farms, are often such as to prevent the disposable capital of the country from flowing freely into the channel of agricultural improvement and hence the increased supply, required by increasing popula tion, is sometimes raised at an aug menting cost by higher cultivation, when the means of producing it without increase of cost are known and acces sible /There can be no doubt, that if capital were forthcoming to execute, within the next year, all I nown and recognised improvements in the land of the United Kingdom which would pay at the existing prices, that is, which would increase the produce in as great or a greater ratio than the

expense, the result would be such (especially if we include Ireland in the supposition) that inferior land would not for a long time require to be brought under tillage probably a considerable part of the less productive lands now cultivated, which are not particularly favoured by riturtion, would go out of culture, or (as the improvements in question are not so much applicable to good land, but operate rather by converting had land into good) the contraction of cultivation might principally take place by a less high dressing and less elaborate tilling of land generally, a falling back to something nearer the character of American farming, such only of the poor lands being altogether abundaned as were not found susceptible of improvement. And thus those aggregate produce of the whole cultisited land would bear a larger proportion than before to the labour expended i on it, and the general law of diminish & ing return from land would have un l dergone, to that extent, a temporary supersession. No one, however, can suppose that even in these circum stances, the whole produce required for the country could be raised exclusively from the best lands, together with those possessing advantages of situation to place them on a par with the best Much would undoubtedly continue to be produced under less advantageous conditions, and with a smaller propor tional return, than that obtained from the best soils and situations proportion as the further increase of copulation required a still greater addition to the supply, the general law would resume its course, and the further augmentation would be obtained at a more than proportionate expense of labour and capital.

§ 3 That the produce of land increases, caterie paribus, in a diminishing ratio to the increase in the labour employed, is a truth more often ignored or disregarded than actually denied. It has, however, met with a direct impugner in the well-known American political economist, Mr. H. C. Carey, who maintains, that the real law of agricultural industry is the very reverse,

the produce increasing in a greater | operation earlier than it does, it oegins affording to labour a perpetually in creasing return. To substantiate this assection, he argues, that cultivation does not begin with the better soils, and extend from them, as the demand mcrea-es, to the poorer, but begins with the poorer, and does not, till long after, extend itself to the more fertile. Settlers in a new country invariably commence on the high and thin lunds, the neh but swampy soils of the river bottoms cannot at first be brought into cultivation, by reason of their unhealthiness, and of the great and prolonged labour required for clearing and draining them As population and wealth increase, cultivation travels down the hill sides, clearing them as it goes, and the most fertile soils, those of the low grounds, are generally (he even says universally) the latest culti vated. These propositions, with the inferences which Mr Carey draws from them, are set forth at much length in his latest and most elaborate treatise, "Pri ciples of Social Science," and he considers them as subverting the very foundation of what he calls the English political economy, with all its practical consequences, especially the doctrine of free trade

As far as words go, Mr Carey has a good case against several of the nighest authorities in political economy, who certainly did enunciate in too universal a manner the law which they laid down, not remarking that it is not true of the first cultivation in a newlythin and capital scanty, land which Where population is requires a large outlay to render it fit for tillage must remain untilled, tuough such lands, when their time bas come, often yield a greater produce than those earlier cultivated, not only absolutely, but proportionally to the labour employed, even if we include that which had been expended in originally fitting them for culture But it is not pretended that the law of diminishing return was operative from the very beginning of society,

quite early enough to support the conclusions they founded on it Carey will hardly assert that in any old country—in England and France, for example—the lands left waste are, or have for centuries been, naturally fertile than those under tillage Judging even by his own im perfect test, that of local situationhow imperfect, I need not stop to point out-18 it true that in England or France at the present day, the uncul tivated part of the soil consists of the plams and valleys, and the cultivated of the hills? Every one knows, on the contrary, that it is the high lands and thin soils which are left to nature, and when the progress of population de mands an increase of cultivation, the extension is from the plains to the hills Once in a century, perhaps, a Budford Level may be drained, or a Lake of Harlem pumped out, but these are slight and transient exceptions to the normal progress of things, and in old countries which are at all advanced in civilization, little of this sort remains Mr

Carey himself unconsciously bears the strongest testimony to the reality of the law he contends against, for one of the propositions most sirenu ously maintained by him is, that the raw products of the soil in in advance ing community, stendily tend farise in Price Now, the most elementary! truths of political economy show that this could not happen, unless the cost of production, measured in labour, of those products, tended to rise cation of additional labour to the land If the appli ! was, as a general rule, attended with an increase in the proportional return, the price of produce, instead of rising, mise necessarily fall as society advances, unless the cost of production of gold

Ireland may be alloged as an exception a large fraction of the entire soil of that country being still incapable of cultivation for want of drainage is an old country unfortunate social and political circumstances have kept it a poor and though some political economists along with Mr Carey's fortile river or among any but the poorer solls. tain that the bogs of Ireland, if drained and brought under tillage would take their place along with Mr Carey's fortile river bottoms.

and silver tell still more a case so rare, that there are only two periods in all history when it is known to have taken place the one, that which followed the opening of the Mexican and Peruvian mines, the other, that in which we now live At all known periods except these two, the cost of production of the precious metals has been either stationary or rising therefore, it be true that the tendency of agricultural produce is to rise in money price as wealth and population increase. there needs no other evidence that the labour required for raising it from the soil tends to augment when a greater quantity is demanded

I do not go so far as Mr Carev do not assert that the cost of production and consequently the price, of agricultural produce, always and necessarily rises as population increases It tends to do so, but the tendency may be, and sometimes is, even during long periods, held in check The effect does not depend on a single principle, but on two antagonizing principles There is another agency, in habitual antagonism to the law of diminishing return from land, and to the considera tion of this we shall now proceed is no other than the progress of civili-I use this general and some zation what vague expression, because the things to be included are so various, that hardly any term of a more restricted signification would comprehend them all

Of these, the most obvious is the progress of agricultural knowledge, skill, and invention. Improved processes of agriculture are of two kinds some enable the land to yield a greater absolute produce, without an equivalent increase of labour , others have not the power of increasing the produce, but have that of diminishing the labour and expense by which it is obtained Among the first are to be reckoned the disuse of fallows, by means of the rota tion of crops, and the introduction of new articles of cultivation capable of entering advantageously into the rotation. The change made in British agriculture towards the close of the last century, by the introduction of!

turnip husbandry, is spoken of as; amounting to a revolution These improvements operate not only by enabling the land to produce a crop every year, instead of remaining idle one year in every two or three to renovate its powers, but also by direct increase of its productiveness, since the great addition made to the number of cattle by the increase of their food, affords more abundant manure to fertilize the Next in order comes the introduction of new articles of food containing a greater amount of sustenance, like the potato, or more productive species or varieties of the same plant, such as the Swedish turning the same class of improvements must be placed a better knowledge of the properties of manures, and of the most effectual modes of applying them, the introduction of new and more powerful fertilizing agents, such as guano, and the conversion to the same purpose, of substances previously wasted, inven tions like subsoil ploughing or tiledraining, improvements in the breed or feeding of labouring cattle, aug mented stock of the animals which con sume and convert into human food what would otherwise be wasted, and the like The other sort of improve? ments, those which diminish labour, but without increasing the capacity of the land to produce, are such as the improved construction of tools, the in troduction of new instruments which spare manual labour, as the winnow ing and threshing machines, a more skilful and economical application of muscular exertion, such as the introduction, so slowly accomplished in England, of Scotch ploughing, with two horses abreast and one man, instead of three or four horses in a team and two men, &c These improvements do not add to the productiveness of the land, but they are equally calcu lated with the former to counteract the tendency in the cost of production of agricultural produce, to rise with the progress of population and demand Analogous in effect to this second !

Annlogous in effect to this second class of agricultural improvements, are improved means of communication. Good roads are equivalent to good tools

It is of no consequence whether the economy of labour takes place in ex tracting the produce from the soil, or in conveying it to the place where it is to be consumed Not to say in addition, that the labour of cultivation itself is diminished by whatever lessens the cost of hringing manure from a distance, or facilitates the many operations of transport from place to place which occur within the bounds of the Railways and canals are virtu ally a diminution of the cost of production of all things sent to market by them, and literally so of all those, the appliances and aids for producing which, they serve to transmit Βv their means land can be cultivated, which would not otherwise have remunerated the cultivators without a rise of price Improvements in navigation have, with respect to food or materials brought from beyond sea,

a corresponding effect

From similar considerations, it ap pears that many purely mechanical improvements, which have, apparently at least, no peculiar connexion with agriculturo, nevertheless enable a given amount of food to be obtained with a smaller expenditure of labour A great improvement in the process of melting iron, would tend to cheapen agricultural unplements, diminish the cost of rail roads, of waggons and carts, ships, and perhaps buillings, and many other things to which iron is not at present applied, because it is too costly, and would thence diminish the cost of production of food. The same effect would follow from an improvement in those processes of what may be termed manufacture, to which the material of food is subjected after it is separated from the ground The first applica tion of wind or water power to grind corn, tended to cheapen bread as much las a very important discovery in agriculture would have done, and any great improvement in the construction of corn mills, would have, in proportion, similar influence The effects of cheapening locomotion have been al rendy considered There are also engineering inventions which facilitate all great operations on the earth's

surface An improvement in the art of taking levels is of importance to draining, not to mention canal and railway making. The fens of Holland, and of some parts of England, are drained by pumps worked by the wind or by steam. Where canals of irrigation, or where tanks or embankments are necessary, mechanical skill is a great resource for cheapening production.

Those manufacturing improvements which cannot be made instrumental to facilitate, in any of its stages, the actual production of food, and there fore do not help to counteract or retard the diminution of the proportional return to labour from the soil, have, however, another effect, which is practically equivalent. What they do not prevent, they yet, in some degree,

compensate for

The materials of manufactures being : all drawn from the land, and many of them from agriculture, which supplies in particular the entire material of clothing, the general law of production from the land, the law of diminish ing return, must in the last resort be applicable to manufacturing as well as to agricultural industry. As population increases, and the power of the land to yield increased produce is strained harder and harder, any additional supply of material, as well as of food. must be obtained by a more than proportionally increasing expenditure of But the cost of the material forming generally a very small portion of the entire cost of the manufacture, the agricultural labour concerned in the production of manufactured goods is but a small fraction of the whole labour worked up in the commodity All the rest of the labour tends con stantly and strongly towards diminu tion, as the amount of production increases Manufactures are vastly more susceptible than agriculture, of mechanical improvements, and contri vances for saving labour, and it has already been seen how greatly the division of labour, and its skilful and economical distribution, depend on the extent of the market, and on the possi bility of production in large masses

manufactures, accordingly, causes tending to increase the productwiness of industry, preponderate greatly over the one cause which tends to diminish it and the increase of production, called forth by the progress of society, takes place, not at an in creasing, but at a continuilly diminish ing proportional cost. This fact has maintested itself in the progressive fall tf the prices and values of almost every Lind of manufactured goods during two centuries past, a fall accelerated by the mechanical inventions of the last reventy or eighty years, and susceptible of bring prolonged and extended beyond any hmit which it would be safe to specify

Now it is quite concernable that the efficiency of agricultural labour might be undergoing, with the increase of produce, a gradual diminution, that the price of food, in consequence, might be progressively rising, and an ever growing proportion of the population might be needed to raise food for the whole, while yet the productive power of labour in all other branches of in dustry might be so rapidly augmented, that the required amount of labour could spared from manufactures, and nevertheless a greater produce be obtained, and the aggregate wants of the community be on the whole better The benefit supplied, than before might even extend to the poorest class The increased cheapness of clothing and lodging might make up to them for the augmented cost of their food

There is, thus, no possible improvement in the arts of production which does not in one or another mode exercise an antagonist influence to the law of diminishing return to agricultural labour Nor is it only industrial improvements which have this effect Improvements in government, and al most every kind of moral and social edvancement, operate in the same Suppose a country in the condition of France before the Revolu taxation imposed almost exclusively on the industrious classes, and on such a principle as to be an actual penalty on production, and no redress obtainable for any injury to property or

person, when inflicted by people of rink or court influence the humane which swept away this system of things, even if ve look no further than to its effect in augmenting the productiveness of labour, equivalent to many industrial inventions? The removal of a fiscal burthen on agricul ture, such as tithe, has the same effect as if the labour necessary for obtaining the existing produce were suddenly reduced one tenth. The abolition of com laws, or of any other restrictions which prevent commodities from being produced where the cost of their production is lowest, amounts to a vast improvement in production fertile land, previously reserved as hunting ground, or for any other pur pose of amusement, is set free for cul the aggregate productiveness of agricultural industry is increased It is well known what has been the offect in England of badly administered poor laws, and the still worse effect in Ireland of a bad system of tenancy, in rendering agricultural labour slack and meffective No improvements operate more directly upon the productiveness of labour than those in the tenure of furms, and in the laws relating to landed property The breaking up of entails, the cheapening of the transfer of property, and whatever else promotes the natural tendency of land in a system of freedom, to pass out of hands which can make little of it into those which can make more, the substitution of long leases for tenancy at will, and of any tolerable system of tenuncy whatever for the wretched cottier system, above all, the acqui sition of a permanent interest in the soil by the cultivators of it, all these things are as real, and some of them as great, improvements in production, as the invention of the spinning jenny or the steam engine

We may say the same of improvement in education. The intelligence, of the workman is a most important element in the productiveness of labour. So low, in some of the most civilized countries, is the present standard of intelligence, that there is hardly any source from which a more indefinite

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amount of improvement may be looked ! for in productive power, than by en dowing with brains those who now have only hands. The carefulness, economy, and general trustworthiness of labourers are as important as their Friendly relations, and intelligence a community of interest and feeling between labourers and employers, are emmently so I should rather say. would be, for I know not where any such sentiment of friendly alliance now Nor 18 it only in the labouring class that improvement of mind and character operates with beneficial effect even on industry. In the rich and idle classes, increased mental energy, more solid instruction, and stronger feelings of conscience, public spirit, or philanthropy, would qualify them to originate and promote the most valuable improvements, both in the economical resources of their coun try, and in its institutions and customs To look no further than the most obvious phenomena, the backwardness of French agriculture in the precise points in which benefit might be expected from the influence of an edu cated class, is partly accounted for by the exclusive devotion of the richer landed proprictors to town interests and town pleasures There is scarcely any possible amelioration of human affairs which would not, among its benefits, have a favourable operation, direct or indirect, upon the productiveness of industry tensity of devotion to industrial occupations would indeed in many cases be moderated by a more liberal and genial mental culture, but the labour actually bestowed on those occupations would almost always be rendered more effec

Before pointing out the principal inferences to be drawn from the nature of the two antagonist forces by which the productiveness of agricultural in dustry is determined, we must observe that what we have said of agriculture is true, with little variation, of the other occupations which it represents,

of all the arts which extract materials from the globe Mining industry, for example, usually yields an increase of produce at a more than proportional increase of expense It does worse, for even its customary annual produce requires to be extracted by a greater and greater expenditure of labour and As a mine does not reproduce the coal or ore taken from it, not only are all mines at last exhausted, but even when they as yet show no signs of exhaustion, they must be worked at a continually increasing cost, shafts must be sunk deeper, gallenes driven farther, greater power applied to keep them clear of water, the produce must be lifted from a greater depth, or conveyed a greater The law of diminishing return applies therefore to mining, in a still more unou dified sense than to but the antagonizing agriculturo agency, that of improvements in production, also applies in a still greater Mining operations are more susceptible of mechanical improved ments than agricultural the first great application of the steam engine was to mining, and there are un limited possibilities of improvement in the chemical processes by which the There is an metals are extracted. other contingency, of no unfrequent occurrence, which avails to counterba lance the progress of all existing mines towards exhaustion this is, the discovery of new ones, equal or superior ın rıchness

To resume, all natural agents which are limited in quantity, are not only limited in their ultimate productive power, but, long before that power is stretched to the utmost, they yield to any additional demands on pro-gressively harder terms. This law may however be suspended, or tempo rarily controlled, by whatever adds to the general power of mankind over nature, and especially by any extension of their knowledge, and their conse quent command, of the properties and powers of natural agents

CHAPTER XIIL

CONSEQUENCES OF THE FOREGOING LAWS

§ 1 From the preceding exposition it appears that the limit to the increase of production is twofold, from deficiency of capital, or of land Production comes to a pause, either because the effective desire of accumulation is not sufficient to give rise to any further increase of capital, or because, however disposed the possessors of surplus income may be to save a portion of it, the limited land at the disposal of the community does not permit additional capital to be employed with such a return, as would be an equivalent to them for their abstinence

In countries where the principle of accumulation is as weak as it is in the various nations of Asia, where people will neither save, nor work to obtain the means of saving, unless under the inducement of enormously high profits, nor even then if it is necessary to wait a considerable time for them, where either productions remain scanty, or drudgery great, because there is neither capital forthcoming nor forethought sufficient for the adoption of the con trivances by which natural agents are made to do the work of human labour, the desideratum for such a country, economically considered, is an increase of industry, and of the effective desire of accumulation. The means are, first, a better government, more complete security of property, moderate taxes, and freedom from arbitrary exaction funder the name of taxes, a more permanent and more advantageous tenure of land, securing to the cultivator as far as possible the undivided benefits of the industry, skill, and economy he may exert Secondly, improvement of the public intelligence, the decay of usages or superstitions which interfere with the effective employment of industry, and the growth of mental activity, making the people alive to new Thirdly, the introobjects of desire duction of foreign arts, which raise the řeturns dorivable from additional capi-

tal, to a rate corresponding to the low; strength of the desire of accumulation, and the importation of foreign capital, which renders the increase of production no longer exclusively dependent on the thrift or providence of the in habitants themselves, while it places before them a stimulating example; and by instilling new ideas and breaking the chains of habit, if not by im proving the actual condition of the population, tends to create in them! new wants, increased ambition, and greater thought for the future considerations apply more or less to all the Asiatic populations, and to the less civilized and industrious part of Europe, as Russia, Turkey, Spain, and

But there are other countries, < and England is at the head of them, in which neither the spirit of industry nor the effective desire of accumulation need any encouragement, where the people will toil hard for a small remuneration, and save much for a small profit, where, though the general thriftmess of the labouring class is much below what is desirable, the spirit of accumulation in the more prosperous part of the community requires abatement rather than increase In these countries there would never be any deficiency of capital, if its in crease were never checked or brought to a stand by too great a diminution of its returns. It is the tendency of the returns to a progressive diminution, which causes the increase of produc tion to be often attended with a dete rioration in the condition of the producers, and this tendency, which would in time put an end to increase of production altogether, is a result of the necessary and inherent conditions of production from the land.

In all countries which have passed beyond a rather early stage in the progress of agriculture, every increase in increased population, will always, unless there is a simultaneous improve ment in production, diminish the share which on a fair division would fall to each individual An increased production, in default of unoccupied tracts of fertile land, or of fresh improvements tending to cheapen commodities, can never be obtained but by increasing the labour in more than the same proportion The population must either work harder, or eat less, or obtain their usual food by sacrificing a part of their other customary comforts Whenever this necessity is postponed, notwithstanding an increase of popula tion, it is because the improvements which facilitate production continue progressive, because the contrivances of mankind for making their labour more effective, keep up an equal struggle with nature, and extort fresh resources from her reluctant powers as fast as human necessities occupy and engross the old.

From this, results the important corollary, that the necessity of restrain ling population is not, as many persons believe, peculiar to a condition of great inequality of property A greater num ber of people cannot, in any given state of civilization, be collectively so well provided for as a smaller niggardliness of nature, not the injustice of society, is the cause of the penalty attached to over population An unjust distribution of wealth does not even aggravate the evil, but, at most, causes it to be somewhat earlier It is in vain to say, that all mouths which the increase of mankind calls into existence, bring with them The new mouths require as much food as the old ones, and the hands do not produce as much instruments of production were held in joint property by the whole people, and the produce divided with perfect equality among them, and if in a society thus constituted, industry were as energetic and the produce as ample as at present, there would be enough to make all the existing population ex tremely comfortable, but when that

the demand for food, occasioned by the existing habits of the people, under such an encouragement, it undoubtedly would in little more than twenty years, what would then be their condition? Unless the arts of production were in the same time improved in an almost unexampled degree, the inferior soils which must be resorted to, and the more laborious and scantily remunera tive cultivation which must be employed on the superior soils, to procure food for so much larger a population, would, by an insuperable necessity, render every individual in the com munity poorer than before If the population continued to increase at the same rate, a time would soon arrive when no one would have more than mere necessaries, and, soon after, a time when no one would have a sufficiency of those, and the further increase of population would be arrested by death.

Whether, at the present or any other time, the produce of industry, proportionally to the labour employed, is increasing or diminishing, and the average condition of the people im proving or deteriorating, depends upon whether population is advancing faster than improvement, or improvement than population. After a degree of density has been attained, sufficient to allow the principal benefits of combination of labour, all further increase tends in itself to mischief. so far as regards the average con dition of the people, but the progress of improvement has a counteracting operation, and allows of increased numbers without any deterioration. and even consistently with a higher average of comfort. Improvement 111 must here be understood in a wide sense, including not only now in the dustrial inventions, or an extended use of those already known, but im provements in institutions, education, opinions, and human affairs generally, provided they tend, as almost all im provements do, to give new motives or new facilities to production. If the productive powers of the country in crease as rapidly as advancing num bers call for an augmentation of propopulation had doubled itself, as, with | duce, it is not necessary to obtain that

angmentation by the cultivation of soils more sterile than the worst already under culture, or by applying additional labour to the old soils at a diminished advantage, or at all events this loss of power is compensated by the increased efficiency with which, in the progress of improvement, labour is employed in manufactures In one way or the other, the increased population is provided for, and all are as well But if the growth of off as before human power over nature is suspended or slackened, and population does not slacken its increase, if, with only the existing command over natural agencies, those agencies are called upon for an increased produce, this greater produce will not be afforded to the increased population, without either demanding on the average a greater effort from each, or on the average reducing each to a smaller ration out of the aggregate produce

As a matter of fact, at some periods the progress of population has been the more rapid of the two, at others that of improvement In England during a long interval preceding the French Revolution, population increased slowly; but the progress of improvement, at least in agriculture, would seem to have been still slower, since though nothing occurred to lower the value of the precious metals, the price of corn rose considerably, and England, from an exporting, became an importing coun-This evidence, however, is short of conclusive, masmuch as the extraordinary number of abundant seasons during the first half of the century, not continuing during the last, was a cause of increased price in the later period, extrinsic to the ordinary progress of society Whether during the same period improvements in manufactures, or diminished cost of imported commodities, made amends for the diminished productiveness of labour on the land, is uncertain But ever since the great mechanical inventions of Watt, Arkwright, and their cotemporaries, the return to labour has probably increased as fast as the popula tion, and would have outstripped it, if that very augmentation of return had I creases the productive power of labour

not called forth an alditional portion of the inherent power of multiplication in the human species the twenty or thirty years last elapsed, so rapid has been the extension of improved processes of agriculture, that even the land yields a greater produce in proportion to the labour employed, the average price of corn had become decidedly lower, even before the repeal of the corn laws had so materially lightened, for the time being, the pressure of population upon production But though improvement may during a certain space of time keep up with, or even surpass, the actual increase of population, it assuredly never comes up to the rate of increase of which population is capable and nothing could have prevented a general deterioration in the condition of the human race, were it not that population has in fact been restrained Had it been restrained still more, and the same improvements taken place, there would h we been a larger dividend than there now is, for the nation or the species at The new ground wrung from nature by the improvements would not have been all used up in the support of mere numbers Though the gross produce would not have been so great, there would have been a greater produce per head of the population

When the growth of numbers; ontstrips the progress of improvement, and a country is driven to obtain the means of subsistence on terms more and more unfavourable, by the inability? of its land to meet additional demands except on more onerous conditions, there are two expedients by which it? may hope to mitigate that disagreeable necessity, even though no change should take place in the habits of the people with respect to their rate of in-One of these expedients is the importation of food from abroad. other is emigration

The admission of cheaper food from a foreign country, is equivalent to an agricultural invention by which food could be raised at a similarly dimi nished cost at home It equally in

The return was, before, so much food for so much labour employed in the growth of food the return is now, a greater quantity of food, for the same labour employed in producing cottons or hardware, or some other commodity to be given in exchange for food one improvement, like the other, throws back the decline of the productive power of labour by a certain distance but in the one case as in the other, it immediately resumes its course, the tide which has receded, instantly be gins to re-advance It might seem, indeed, that when a country draws its supply of food from so wide a surface as the whole habitable globe, so little impression can be produced on that great expanse by any increase of mouths in one small corner of it, that the in t habitants of the country may double and treble their numbers, without feel ing the effect in any increased tension of the springs of production, or any en hancement of the price of food through out the world But in this calculation several things are overlooked.

In the first place, the foreign regions from which corn can be imported do not comprise the whole globe, but those parts of it almost alone, which are in the immediate neighbourhood of coasts or navigable rivers. The coast is the part of most countries which is earliest and most thickly peopled, and has sel doin any food to spare The chief source of supply, therefore, is the simp of country along the banks of some navigable river, as the Nile, the Vistula, or the Mississippi, and of such there is not, in the productive regions of the earth, so great a multitude, as to suffice during an indefinite time for a rapidly growing demand, without an increasing strain on the productive powers of the soil. To obtain auxiliary supplies of corn from the interior in any abundance, would, in the existing state of the communications, be hope-By improved roads, and eventually by canale and railways, the obstacle will be so reduced as not to be insuperable but this is a slow progress, in all the food exporting countries except America, a very rlow progress, and enewhi heaunot keep pace with popu-

lation, unless the increase of the last is very effectually restrained.

In the next place, even if the supply were drawn from the whole instead of a small part of the surface of the ex ! porting countries, the quantity of food would still be limited, which could be obtained from them without an increase of the proportional cost The countries which export food may be divided into two classes, those in which the effect tive desire of accumulation is strong and those in which it is weak Australia and the United States of America, the effective desire of accu mulation is strong, capital increases fast, and the production of food might be very rapidly extended. But in such countries population also increases with extraordinary rapidity Their agricul ture has to provide for their own ex panding numbers, as well as for those of the importing countries They must, therefore, from the nature of the case, be rapidly driven, if not to less fertile, at least what is equivalent, to remoter and less accessible lands, and to modes of cultivation like those of old countries, less productive in proportion to the

labour and expense

But the countries which have at the same time cheap food and great indus trial prosperity are few, being only those in which the arts of civilized life have been transferred full grown to a rich and uncultivated soil. Among old countries, those which are able to ex port food, are able only because their industry is in a very backward state. because capital, and hence population, have never increased sufficiently to make food rise to a higher price Such countries are Russia, Poland, and the plains of the Danube In those regions the effective desire of accumulation is weak, the arts of production most imperfect, capital scanty, and its increase, especially from domestic sources, slow When an increased demand arose for food to be exported to other countries, it would only be very gradually that food could be produced to meet if The capital needed could not be obtained by transfer from other employments, for such do not exist The cottons or hardware which would be received from

England in exchange for corn, the Russians and Poles do not now produce in the country they go without them Something might in time be expected from the increased exertions to which producers would be stimulated by the market opened for their produce, but to such increase of exertion, the habits of countries whose agricultural population consists of seris, or of peasants who have but just emerged from a servile condition, are the reverse of favourable, and even in this age of movement these habits do not rapidly change a greater outlay of capital is relied on as the source from which the produce is to be increased, the means must either be obtained by the slow process of saving, under the impulse given by new commodities and more extended intercourse (and in that case the popul lation would most likely increase as fast), or must be brought in from foreign If England is to obtain a countries rapidly increasing supply of corn from Russia or Poland, English capital must go there to produce it This, how ever, is attended with so many difficulties, as are equivalent to great positive disadvantages It is opposed by differences of language, differences of manners, and a thousand obstacles arrang from the institutions and social relations of the country and after all it would inevitably so stimulate population on the spot, that nearly all the increase of food produced by its means, would probably be consumed without leaving the country so that if it were not the almost only mode of introducing foreign arts and ideas, and giving an effectual spur to the backward civilization of those countries, little reliance] could be placed on it for increasing the exports, and supplying other countries with a progressive and indefinite in But to improve the crease of food civilization of a country is a slow process, and gives time for so great an increase of population both in the country itself, and in those supplied from it, that its effect in keeping down the price of food against the increase of demand, is not likely to be more decisive on the scale of all Europe, than on the smaller one of a particular nation

The law, therefore, of diminishing return to industry, whenever population makes a more rapid progress than im provement, is not solely applicable to countries which are fed from their own soil, but in substance applies quite as much to those which are willing to draw their food from any accessible quarter that can afford it cheapest sudden and great cheapening of food, indeed, in whatever manner produced, would, like any other sudden improvement in the arts of life, throw the natural tendency of affairs a stage or two further back, though without altering its course. There is one contingency connected with freedom of importation which may yet produce temporary effects greater than were ever contemplated either by the bitterest enemies or the most ardent adherents of freetrade in food. Maize, or Indian corn, is a product capable of being supplied in quantity sufficient to feed the whole country, at a cost, allowing for difference of nutritive quality, cheaper even If marze should ever than the potato substitute itself for wheat as the staple food of the poor, the productive power of labour in obtaining food would be so enormously increased, and the expense of maintaining a family so diminished, that it would require perhaps some generations for population, even if it started forward at an American pace, to overtake this great accession to the facilities of its support.

Besides the importation of corn, there is another resource which can be invoked by a nation whose increasing numbers press hard, not against their capital, but against the productive capacity of their land I mean Emigration, especially in the form of Coloniza Of this remedy the efficacy as far as it goes is real, since it consists in seeking elsewhere those unoccupied tracts of fertile land, which if they existed at home would enable the demand of an increasing population to be met without any falling off in the pro ductiveness of labour Accordingly, when the region to be colonized is near at hand, and the habits and tastes of the people sufficiently migratory,

this remedy is completely effectual. The migration from the older parts of the American Confederation to the new territories, which is to all intents and purposes colonization, is what enables population to go on unchecked through out the Union without having yet diminished the return to industry, or increased the difficulty of earning a subsistence If Australia or the interior of Canada were as near to Great Britain as Wisconsin and Iowa to New York, if the superfluous people could remove to it without crossing the sea, and were of as adventurous and restless a character, and as little addicted to staying at home, as their kinsfolk of New England, those unpeopled continents would render the same service to the United Kingdom which the old states of America derive from the new But these things being as they arethough a judiciously conducted emigration is a most important resource for suddenly lightening the pressure of population by a single effort—and though in such an extraordinary case as that of Ireland under the threefold operation of the potato failure, the

poor law, and the general turning out of tenantry throughout the country, spontaneous emigration may at a particular crisis remove greater multitudes than it was ever proposed to remove at once by any national scheme, it still remains to be shown by experience whether a permanent stream of emigration can be kept up, sufficient to take off, as in America, all that portion of the annual increase (when proceeding at its greatest rapidity) which being in excess of the progress made during the same short period in the arts of life, tends to render living more difficult for every averagely-situated individual in the community And unless this can be done, emigration cannot, even in an economical point of view, dispense with the necessity of checks to popula-Further than this we have not to speak of it in this place. The general subject of colonization as a practical question, its importance to old countries, and the principles on which it should be conducted, will be discussed at some length in a subsequent portion of this Treatise

BOOR II.

DISTRIBUTION

CHAPTER L

PROPERTY

§ 1 The principles which have been set forth in the first part of this Treatise, are, in certain respects, strongly distinguished from those, on the consideration of which we are now The laws and condiabout to enter tions of the production of wealth, partake of the character of physical truths There is nothing optional, or arbitrary in them Whatever mankind produce, must be produced in the modes, and under the conditions, imposed by the constitution of external things, and by the inherent properties of their own bodily and mental structure Whether they like it or not, their productions will be limited by the amount of their previous accumulation, and, that being given, it will be proportional to their energy, their skill, the perfection of their machinery, and their judicious use of the advantages of combined labour Whether they like it or not, a double quantity of labour will not raise, on the same land, a double quantity of food, unless some improvement takes place in the processes Whether they like it of cultivation or not, the unproductive expenditure of individuals will pro tanto tend to impoverish the community, and only their productive expenditure will enrich it. The opinions, or the wishes, which may exist on these different matters, do not control the things themselves We cannot, indeed, foresee to what extent the modes of production may be altered, or the productiveness of labour increased, by future extensions of our knowledge of the laws of nature,

suggesting new processes of industry of which we have at present no conception But howsoever we may succeed in making for ourselves more space within the limits set by the constitution of things, we know that there must be limits. We cannot alter the ultimate properties either of matter or mind, but can only employ those properties more or less successfully, to bring about the events in which we are interested

It is not so with the Distribution of Wealth That is a matter of human institution solely The things once there, mankind, individually or col lectively, can do with them as they They can place them at the disposal of whomsoever they please, and on whatever terms Further, in the social state, in every state except total solitude, any disposal whatever of them can only take place by the consent of society, or rather of those who dispose of its active force Even what a person has produced by his individual toil, un aided by any one, he cannot keep, un less by the permission of society only can society take it from him, but individuals could and would take it from him, if society only remained passive, if it did not either interfere en masse, or employ and pay people for the purpose of proventing him from being disturbed in the possession. The distribution of wealth, therefore, des pends on the laws and customs of so The rules by which it is deciety termined, are what the opinions and feelings of the ruling portion of the

community make them, and are very different in different ages and countries, and might be still more different, if marking so chose.

The opinions and feelings of man kind, doubtless, are not a matter of They are consequences of the fundamental laws of human nature, combined with the existing state of knowledge and experience, and the existing condition of social institutions and intellectual and moral culture But the laws of the generation of linman opinions are not within our present subject They are part of the general theory of human progress, a far larger and more difficult subject of inquiry than political economy liave here to consider, not the causes, but the consequences of the rules according to which wealth may be dis-Those, at least, are as hitle Imbuted arbitrary, and have as much the character of physical laws, as the laws of production. Human beings can control their own acts, but not the consequences of their acts either to themselves or to others. Society can subject the distribution of wealth to whatever rules it thinks best, but what practical results will flow from the opera tion of those rules, must be discovered, like anyo her physical or mental truths. by olservation and reasoning

We proceed, then, to the consideration of the different modes of distributing the produce of land and labour, which have been adopted in practice, or may be conceived in theory. Among these, our attention is first claimed by that primary and fundamental institution, on which, unless in some exceptional and very limited cases, the committed arrangements of society base always rested, though in its secondary features it has varied, and is hable to vary. I mean, of course, the institution of individual property

§ 2 Private property, as an instituitien, did not owe its origin to any of these considerations of utility, which iple if for the maintenance of it when testable shed known of rudo ages, both from history and from analogous states of society in our own time, to

show, that tribunals (which always precede laws) were originally established, not to determine rights, but to repress violence and terminate quarrels With this object chiefly in view, they natur ally enough gave legal effect to first occupancy, by treating as the aggressor the person who first commenced violence, by turning, or attempting to turn, another out of possession The pre servation of the peace, which was the original object of civil government, was thus attained, while by confirming, to those who already possessed it, even what was not the fruit of personal ex ertion, a guarantee was incidentally given to them and others that they would be protected in what was so

In considering the institution of property as a question in social philosophy we must leave out of consideration its actual origin in any of the existing nat We may suppose a tions of Europe community unhampered by any previous possession, a body of colonists, occupying for the first time an uninha bited country, bringing nothing with them but what belonged to them in common, and having a clear field for the adoption of the institutions and polity which they judged most expe dient, required, therefore, to choose whether they would conduct the work of production on the principle of indi vidual property, or on some system of common ownership and collective agency

If private property were adopted, we must presume that it would be accompanied by none of the initial inequalities and injustices which obstruct the beneficial operation of the principle in old societies. Every full grown man or woman, we must suppose, would be accured in the unfettered use and disposal of his or her bodily and mental taculties, and the instruments of production, the land and tools, would be divided fairly among them, so that all might start, in respect to outward appliances, on equal terms It is possible also to conceive that in this original apportionment, compensation might be made for the injuries of nature, and the balance redressed by assigning to the less robust monibers of the community

advantages in the distribution, sufficient to put them on a par with the rest But the division, once made, would not again be interfered with, individuals would be left to their own exertions and to the ordinary chances, for making an advantageous use of what was assigned to them If individual property, on the contrary, were excluded, the plan which must be adopted would be to hold the land and all instruments of production as the joint property of the community, and to carry on the operations of industry on the common account direction of the labour of the community would devolve upon a magistrate or magistrates, whom we may suppose elected by the suffrages of the community, and whom we must assume to be voluntarily obeyed by them The division of the produce would in like manner be a public act. The principle might either be that of complete equality, or of apportionment to the neces sities or deserts of individuals, in whatever manner might be conformable to the ideas of justice or policy prevailing in the community

Examples of such associations, on a small scale, are the monastic orders, the Moravians, the followers of Rapp, and others and from the hopes which they hold out of relief from the miseries and iniquities of a state of much inequality of wealth, schemes for a larger application of the same idea have re appeared and become popular at all periods of active speculation on the first principles of society In an age like the present, when a general reconsideration of all first principles is felt to be inevitable, and when more than at any former period of history the suffering portions of the community have a voice in the discussion, it was impossible but that ideas of this nature should spread The late revolutions in far and wide Europe have thrown up a great amount of speculation of this character, and an unusual share of attention has consequently been drawn to the various forms which these ideas have assumed is this attention likely to diminish, but on the contrary, to increase more and

The assailants of the principle of in-

dividual property may be divided into). two classes those whose scheme imit plies absolute equality in the distribut tion of the physical means of life and enjoyment, and those who admit in to equality, but grounded on some print ciple, or supposed principle, of justice, or general expediency, and not, like so many of the existing social inequalities, dependent on accident alone head of the first class, as the earliest of those belonging to the present generation, must be placed Mr Owen and his followers. M Louis Blanc and M Cabet have more recently become con spicuous as apostles of similar doctrines (though the former advocates equality of distribution only as a transition to a still higher standard of justice, that all should work according to their capacity, and receive according to their wants) The characteristic name for this economical system is Communism, a word of continental origin, only of late' introduced into this country. The word, Socialism, which originated among the? English Communists, and was assumed: by them as a name to designate their own doctrine, is now, on the Continent, 5 employed in a larger sense, not necessarily implying Communism, or the en tire abolition of private property, but applied to any system which requires that the land and the instruments of production should be the property, not of individuals, but of communities or associations, or of the government Among such systems, the two of highest intellectual pretension are those which, from the names of their real or reputed authors, have been called St_Simonism 4. and Fourierism, the former, defunct as a system, but which during the few years of its public promulgation, sowed the seeds of nearly all the Socialist tendencies which have since spread so widely in France the second, still flourishing in the number, talent, and zoal of its adherents.

§ 3 Whatever may be the ments of defects of these various schemes, they is cannot be truly said to be impracticable. No reasonable person can doubt that a village community, composed of a few thousand inhabitants cultivating

in joint ownership the same extent of land which at present feeds that number of people, and producing by combined labour and the most improved processes the manufactured articles which they required, could raise an amount of productions sufficient to maintain them in comfort, and would find the means of obtaining, and if need be, exacting, the quantity of labour necessary for this purpose, from every member of the issociation who was capable of work.

The objection ordinarily made to a system of community of property and equal distribution of the produce, that each person would be incessantly occu pied in evading his fair share of the work, points, undoubtedly, to a real But those who urge this difficulty objection, forget to how great an extent the same difficulty exists under the system on which nine-tenths of the business of society is now conducted. The objection supposes, that honest and efficient labour is only to be had from those who are themselves individually to reap the benefit of their own exer-But how small a part of all the labour performed in England, from the lowest paid to the highest, is done by persons working for their own benefit From the Irish reaper or hodman to the chief justice or the minister of state, nearly all the work of society is remunerated by day wages or fixed salaries A factory operative has less personal interest in his work than a member of a Communist association, since he is not, like him, working for a partnership of which he is himself a member It will no doubt be said, that though the labourers themselves have not, in most cases, a personal interest in their work, they are watched and superintended, and their labour directed, and the mental part of the labour performed, by persons who have Even this, however, is far from being universally the fact In all public, and many of the largest and most successful private undertakings, not only the labours of detail, but the control and superintendence are en trusted to salaried officers And though the "master's eye," when the master is vigilant and intelligent, is of

proverbial value, it must be remem bered that m a Socialist farm or manu factory, each labourer would be under the eye not of one master, but of the whole community In the extreme case of obstinate perseverance in not performing the due share of work, the community would have the same resources which society now has for compelling conformity to the necessary conditions of the association missal, the only remedy at present, is no remedy when any other labourer who may be engaged does no better than his predecessor the power of dismissal only enables an employer to obtain from his workmen the customary amount of labour, but that customary labour may be of any degree of meffi-Even the labourer who loses his employment by idleness or negligence, has nothing worse to suffer, in the most unfavourable case, than the discipline of a workhouse, and if the desire to avoid this be a sufficient motive in the one system, it would be sufficient in the other I am not undervaluing the strength of the in citement given to labour when the whole or a large share of the benefit of extra exertion belongs to the labourer But under the present system of in dustry this incitement, in the great majority of cases, does not exist. Communistic labour might be less! vigorous than that of a peasant proprictor, or a workman labouring on his own account, it would probably be more energetic than that of a labourer for hire, who has no personal interest, in the matter at all. The neglect by the uneducated classes of labourers for hire, of the duties which they engage to perform, is in the present state of society most flagrant. Now it is an ! admitted condition of the Communist scheme that all shall be educated and this being supposed, the duties of the members of the association would doubtless be as diligently performed as those of the generality of salaried officers in the middle or higher classes, who are not supposed to be neces sarily unfaithful to their trust, because so long as they are not dismissed, their pay 15 the same in however lax n

manner their duty is fulfilled Undoubtedly, as a general rule, remuneration by fixed salaries does not in any class of functionaries produce the maximum of zeal and this is as much as can be reasonably alleged against Communistic labour

That even this inferiority would necessarily exist, is by no means so certain as is assumed by those who are little used to carry their minds beyond the state of things with which they are Mankind are capable of a familiar far greater amount of public spirit than the present age is accustomed to suppose possible History bears witness to the success with which large bodies of human beings may be trained to feel the public interest their own. And no soil could be more favourable to the growth of such a feeling, than a Communist association, since all the ambition, and the bodily and mental activity, which are now exerted in the pursuit of separate and self-regarding interests, would require another sphere of employment, and would naturally find it in the pursuit of the general benefit of the community The same cause, so often assigned in explanation of the devotion of the Catholic priest or monk to the interest of his orderthat he has no interest apart from itwould, under Communism, attach the citizen to the community And independently of the public motive, every member of the association would be amenable to the most universal, and one of the strongest of personal motives, that of public opinion force of this motive in deterring from any act or omission positively reproved by the community, no one is likely to deny, but the power also of emulation, in exciting to the most strenuous exertions for the sake of the approbation and admiration of others, is borne witness to by experience in every situation in which human beings publicly compete with one another, even if it be in things fravolous, or from which the public derive no benefit contest, who can do most for the common good, is not the kind of competition which Socialists repudiate what extent, therefore, the energy of

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Another of the objections to Com munism is similar to that, so often urged against poor-laws that if every, member of the community were as sured of subsistence for himself and any number of children, on the sole condition of willingness to work, prudential restraint on the multiplication of mankind would be at an end. and population would start forward at a: rate which would reduce the com munity through successive stages of increasing discomfort to actual starva; There would certainly be much ground for this apprehension if Com munism provided no motives to re straint, equivalent to those which it would take away But Communism is precisely the state of things in which opinion might be expected to declare itself with greatest intensity against this kind of selfish intemperance Any augmentation of numbers which di minished the comfort or increased the toil of the mass, would then cause (which now it does not) immediate and unmistakeable inconvenience to every individual in the association, incon venience which could not then be imputed to the avance of employers, or the unjust privileges of the rich such altered circumstances opinion could not fail to reprobate, and if reprobation did not suffice, to repress by penalties of some description, this or any other culpable self-indulgence at the expense of the community Communistic scheme, instead of being peculiarly open to the objection drawn from danger of over population, has ! the recommendation of tending in an especial degree to the prevention of that evil.

A more real difficulty is that of fairly apportioning the labour of the community among its members. There are many kinds of work, and by what standard are they to be measured one against another? Who is to judge how much cotton spinning, or distributing goods from the stores, or

bricklaying, or chimney sweeping, is equivalent to so much ploughing? The difficulty of making the adjustment between different qualities of labour is so strongly felt by Com munist writers, that they have usually thought it necessary to provide that all should work by turns at every description of useful labour an arrange ment which by putting an end to the division of employments, would sacri fice so much of the advantage of cooperative production as greatly to diminish the productiveness of labour Besides, even in the same kind of work, nominal equality of labour would be so great a real inequality, that the feeling of justice would revolt against All persons are its being enforced not equally fit for all labour, and the same quantity of labour is an un equal burthen on the weak and the strong, the hardy and the delicate, the quick and the slow, the dull and the intelligent 🦨

But these difficulties, though real, are not necessarily insuperable apportionment of work to the strength and capacities of individuals, the miti-Lation of a general rule to provide for care in which it would operate harshly. are not problems to which human in telligence, guided by a sense of justice, would be inadequate And the worst and most unjust arrangement which could be made of these points, under a erricin aiming at equality, would be en far short of the mequality and in justice with which labour (not to speak of remuncration) is now apportioned. as to be scarcely worth counting in the tompanson We must remember too that Communism, as a system of becete, exists only in idea, that its difficulties, at present, are much better understand then its resources, and that the intellect of mankind is only leginning to contrive the incans of treamong it in detail, so as to over come the one and derive the greatest advantage from the other

If, therefore, the chance were to be

property necessarily catried with it as a consequence, that the produce of labour should be apportioned as we now see' it, almost in an inverse ratio to the labour—the largest portions to those who have never worked at all, the next largest to those whose work is almost nominal, and so in a descending scale, the remuneration dwindling as the work grows harder and more disagreeable, until the most fatiguing and ex' hausting bodily labour cannot count with certainty on being able to earn even the necessaries of life, if this, or Communism, were the alternative, all the difficulties, great or small, of Com munism would be but as dust in the balance But to make the comparison ? applicable, we must compare Com munism at its best, with the regime of individual property, not as it is, but as it might be made. The principle of private property has never yet had a tair trial in any country, and less so, perhaps, in this country than in some others. The social arrangements of modern Europe commenced from a distribution of property which was the result, not of just partition, or acquisition by industry, but of conquest and violence and notwithstanding what industry has been doing for many centuries to modify the work of force. the system still retains many and large traces of its origin. The laws of property have never yet conformed to the principles on which the justification of private property rests They have made property of things which never ought to be property, and absolute property where only a qualified property ought to exist. They have not held the balance fairly between human beings, but have heaped impediments; upon some, to give advantage to others, they have purposely fostered inequalities, and prevented all from starting fair in the race That all should indeed start on perfectly equal terms, is inconsistent with any law of private property but if as much pains as has been taken to aggravate the m de between Communi in with all its | inequality of chances arising from the chances, and the present state of natural working of the principle, had security with all its sufficings and in | been taken to temper that inequality justices, if the institution of private by every means not subversive of the

principle itself, if the tendency of legislation had been to favour the diffusion, instead of the concentration of wealth—to encourage the subdivision of the large masses, instead of striving to keep them together, the principle of individual property would have been found to have no necessary connexion with the physical and social evils which almost all Socialist writers assume to be insertantly from it.

assume to be inseparable from it Private property, in every defence made of it, is supposed to mean, the guarantee to individuals, of the fruits of their own labour and abstinence The guarantee to them of the fruits of the labour and abstinence of others. transmitted to them without any merit or exertion of their own, is not of the essence of the institution, but a mere incidental consequence, which when it reaches a certain height, does not promote, but conflicts with the ends which render private property legitimate To judge of the final destination of the institution of property, we must suppose everything rectified, which causes the institution to work in a manner opposed to that equitable principle, of proportion between remuneration and exertion, on which in every vindication of it that will bear the light, it is assumed to be grounded. We must also suppose two conditions realized, with lout which neither Communism nor any other laws or institutions could make the condition of the mass of mankind other than degraded and miserable One of these conditions 18, universal education, the other, a due limitation of the numbers of the community With these, there could be no poverty even under the present social instituand these boing supposed, the question of Socialism is not, as generally stated by bocialists, a question of flying to the sole refuge against the evils which now bear down humanity, but a mere question of comparative advantages, which futurity must deter-We are too ignorant either of enun what individual agency in its best form, or Socialism in its best form, can accomplish, to be qualified to decide which of the two will be the ultimate form of human society

If a conjecture may be hazarded, the decision will probably depend mainly on one consideration, viz which of the two systems is consistent with the greatest amount of human liberty and? spoutaneity After the means of sub sistence are assured, the next in strength of the personal wants of human beings is liberty, and (unlike the physical wants, which as civilization advances become more moderate and more amenable to control) it increases instead of diminishing in intensity, as the intelligence and the moral faculties are more. developed The perfection both of social arrangements and of practical morality, would be, to secure to all persons com plete independence and freedom of action, subject to no restriction but that of not doing injury to others and the education which taught or the social institutions which required them to exchange the control of their own actions for any amount of comfort or affluence, or to renounce liberty for the . sake of equality, would deprive them; of one of the most elevated characteristics of human nature. It remains to be discovered how for the preservation of this characteristic would be found compatible with the communistic or ganization of society No doubt, this, like all the other objections to the Socialist schemes, is vastly exaggerated The members of the association need not be required to live together more than they do now, nor need they be controlled in the disposal of their individual share of the produce, and of the probably large amount of leisure which, if they limited their production to things really worth producing, they would possess Individuals need not be chained to an occupation, or to a The restraints of particular locality Communism would be freedom in comparison with the present condition of the majority of the human race The generality of labourers in this and most other countries, have as little choice of occupation or freedom of locomotion, are practically as dependent on fixed rules and on the will of others, as they could be on any system short of actual slavery, to say nothing of the entire domestic subjection of one half the

species, to which it is the signal honour of Owenism and most other forms of Socialism that they assign equal rights, in all respects, with those of the hitherto dominant sex is not by comparison with the present had state of correty that the claims of Communism can be estimated, nor 18 it sufficient that it should promise greater personal and mental freedom than is now enjoyed by those who have not enough of either to deserve the name. The question is whether the name the question is whether there would be any asylum left for individuality of character, whether public opinion would not be a tyran nical yoke, whether the absolute de pendence of each on all, and surveil fance of each by all, would not grand all down into a tame uniformity of thoughts, feelings, and actions This is already one of the glaring evils of the existing state of society, notwith standing a much greater diversity of education and pursuits, and a much absolute dependence of the individual on the mass, than would exist in the Communistic regime society in which eccentricity is a matter of repreach, can be in a whole some state. It is yet to be ascertained whe her the Communistic scheme would be consistent with that multi from devel prent of human nature, those manifold unlikenesses, that diver ents of tastes and talents, and vanets of intellectual points of view, which rest of Im rat part of the inte do a stimulating collision, Prisenting to each innumerable rottong that he would not have con certed of himself, are the mainspring of mental and moral progression

of sorrythors to the Communistic docof sorrythors to the Communistic doctring, which forms the extreme limit of Socialism, according to which not only the instruments of production, the land art cripital, are the loint proper viole the community, but the protional artifaction and the labour apport of office wheels of well criming the labour the community which well criming the labour the prooffice wheels of well criming the labour the la

this form of it in their greatest force The other varieties of Socialism mainly differ from Communism, in not relying solely on what M. Louis Blanc calls But it / the point of honour of industry, but retaining more or less of the incentives to labour derived from private pecu mary interest modification of the strict theory of Thus it is already a Communism, when the principle is professed of proportioning remuneration to labour The attempts which have The attempts which have been made in France to carry Social ism into practical effect, by associa tions of workmen manufacturing on their own account, mostly began by sharing the remuneration equally, without regard to the quantity of work done by the individual but in almost every case this plan was after a short time abandoned, and recourse was had to working by the piece The original principle appeals to a higher standard of justice, and is adapted to a much higher moral condition of human nature The proportioning of remu negation to work done, is really just, only in so far as the more or less of the work is a matter of choice when it depends on natural difference of strength or capacity, this principle of remune ration is in itself an injustice it is giving to those who have, assigning most to those who are already most favoured by nature Considered, how ever, as a compromise with the sclash type of character formed by the present standard of morality, and fostered by the existing social institutions, it is highly expedient, and until education shall have been entirely regenerated is far more likely to prove immediately successful, than an attempt at a higher

The two elaborate forms of non; communistic Socialism known as St. Simonism and Fourierism, are totally against Communism, and though they are open to others of their own, which in many respects distinguishes their, and by their large and philosomental problems of society and morn lity, they may justly be counted among

the most remarkable productions of the | either social or intellectual

past and present age

The St. Simonian scheme does not contemplate an equal, but an unequal division of the produce, it does not propose that all should be occupied alike, but differently, according to their vocation or capacity, the function of teach being assigned, like grades in a regiment, by the choice of the directing authority, and the remuneration being by salary, proportioned to the importance, in the eyes of that authointy, of the function itself, and the unerits of the person who fulfils it For the constitution of the ruling body, different plans might be adopted, con sistently with the essentials of the It might be appointed by aystem popular suffrage In the idea of the original authors, the rulers were supposed to be persons of genius and virtue, who obtained the voluntary adhesion of the rest by the force of mental superiority. That the scheme might in some peculiar states of society work with advantage, is not improbable There is indeed a successful experi ment, of a somewhat similar kind, on record, to which I have once alluded, that of the Jesuits in Paraguay race of savages, belonging to a por tion of mankind more averse to consecutive exertion for a distant object than any other authentically known to us, was brought under the mental dominion of civilized and instructed men who were united among themselves by a system of community of goods the absolute authority of these men they reverentially submitted them selves, and were induced by them to learn the arts of civilized life, and to practice labours for the community, which no inducement that could have been offered would have prevailed on them to practise for themselves social system was of short duration, being prematurely destroyed by diplomatic arrangements and foreign force That it could be brought into action at all was probably owing to the im menso distance in point of knowledge and intellect which separated the few rulers from the whole body of the ruled, without any intermediate orders,

other circumstances it would probably have been a complete failure poses an absolute despotism in the heads of the association, which would probably not be much improved if the depositances of the despotism (contrary to the views of the authors of the system) were varied from time to time according to the result of a popular canvass But to suppose that one or a few human beings, howsoever se lected, could, by whatever machinery of subordinate agency, be qualified to adapt each person's work to his capa city, and proportion each person's re muneration to his merits—to be, in fact, the dispensers of distributive justice to every member of a community, or that any use which they could make of this power would give general satisfaction, or would be submitted to without the aid of force—is a supposi tion almost too clumerical to be rea soned against A fixed rule, like that of equality, might be acquiesced in, and so might chance, or an external necessity, but that a handful of human beings should weigh everybody in the balance, and give more to one and less to another at their sole pleasure and judgment, would not be borne, unless from persons believed to be more than men, and backed by supernatural terrors

The most skilfully combined, and with the greatest foresight of object tions, of all the forms of Socialism, is that commonly known as Fourierism! This system does not contemplate the abolition of private property, nor even on the contrary, it of inheritance avowedly takes into consideration, as an element in the distribution of the produce, capital as well as labour proposes that the operations of indus try should be carried on by associations of about two thousand members, com bining their labour on a district of about a square league in extent, under the guidance of chiefs selected by In the distribution, themselves certain minimum is first assigned for the subsistence of every member of the community, whether capable or not of The remainder of the produce labour

is shared in certain proportions, to be determined beforehand, among the three elements, Labour, Capital, and Talent. The capital of the commu nity may be owned in unequal shares by different members, who would in that case receive, as in any other jointstock company, proportional dividends The claim of each person on the share of the produce apportioned to talent is estimated by the grade or rank which the individual occupies in the several groups of labourers to which he or she belongs, these grades being in all cases conferred by the choice of his The remuneraor her companions tion, when received, would not of necessity be expended or enjoyed in common, there would be separate menages for all who preferred them, and no other community of hving is contemplated, than that all the mem bers of the association should reside in the same pile of buildings, for saving of labour and expense, not only in building, but in every branch of domestic economy, and in order that, the whole of the buying and selling operations of the community being performed by a single agent, the enor mous portion of the produce of industry now carned off by the profits of mero distributors might be reduced to the smallest amount possible

This system, unlike Communism, does not, in theory at least, withdraw any of the motives to exertion which exist in the present state of society On the contrary, if the arrangement worked according to it's intentions of its contrivers, it would even strengthen those motives since each would have much more certainty of reasing individually the fruits of increased skill or energy, bolily or mental, than under the present social armost ments can be felt by any but those who are in the most advaningious positions, or to whom the climpter of needents is more than ordi uarily favourable The Fouriers s, historer, have still another resource They believe that they have solved the great and fundamental problem of ned ring labour attractive. That this is not impracticable, they contend by I

very strong arguments, in particular, by one which they have in common with the Owenites, viz, that scarcely any labour, however severe, undergone by human beings for the sake of subsistence, exceeds in intensity that which other human beings, whose sub) sistence is already provided for, are, found ready and even eager to undergo This certainly is a most for pleasure ngnificant fact, and one from which the student in social philosophy may draw important instruction. But the argument founded on it may easily be stretched too far If occupations full of discomfort and fatigue are freely pursued by many persons as amusements, who does not see that they are amusements exactly because they are pursued freely, and may be discont tinued at pleasure? The liberty of quitting a position often makes the whole difference between its being Many a per painful and pleasurable son remains in the same town, street, or house from January to December, without a wish or a thought tending towards removal, who, if confined to that same place by the mandate of authority, would find the imprisonment absolutely intolerable

According to the Fourierists, scarcely ; any kind of useful labour is naturally and necessarily disagreeable, unless it is either regarded as dishonourable, or is immoderate in degree, or destitute of the stimulus of sympathy and emu ? Excessive toil needs not they contend, be undergone by any one, in a society in which there would be no idle class, and no labour wasted, as so enormous an amount of labour is now wasted, in uscless things, and where full advantage would be taken of the power of association, both in increasing the efficiency of production, and in-The other economizing consumption requisites for rendering labour attractive would, they think, be found in the execution of all labour by social groups, to any number of which the same individual might simultaneously ! belong, at his or her own choice, their grade in each being determined by the degree of service which they were found capable of rendering, as appro-

ciated by the suffrages of their comrades. It is inferred from the diversity of tastes and talents, that every member of the community would be attached to several groups, employing themselves in various kinds of occupa tion, some bodily, others mental, and would be capable of occupying a high place in some one or more, so that a eal equality, or something more nearly approaching to it than might at first be supposed, would practically result not from the compression, but, on the contrary, from the largest possible development, of the various natural supenonties residing in each individual Even from so brief an outline, it must be evident that this system does no violence to any of the general laws by which human action, even in the present imperfect state of moral and 'intellectual cultivation, is influenced, and that it would be extremely rash to pronounce it incapable of success, or unfitted to realize a great part of the hopes founded on it by its partisans With regard to this, as to all other varieties of Socialism, the thing to be

desired, and to which they have a just claim, is opportunity of trial They are all capable of being tried on a moderate scale, and at no risk, either personal or pecuniary, to any except It is for expethose who try them rience to determine how far or how soon any one or more of the possible systems of community of property will be fitted to substitute itself for the "organization of industry" based on private ownership of land and capital In the meantime we may, without attempting to limit the ultimate capabilities of human nature, affirm, that the political economist, for a considerable time to come, will be chiefly concerned with the conditions of existence and progress belonging to a society founded on private property and individual competition, and that the object to be principally aimed at in the present stage of human improvement, is not the subversion of the system of individual property, but the improvement of it, and the full participation of every member of the community in its benefits

CHAPTER IL

THE SAME SUBJECT CONTINUED

§ 1 Ir is next to be considered, what is included in the idea of private property, and by what considerations the application of the principle should be bounded

The institution of property, when limited to its essential elements, consists in the recognition, in each person, of a right to the exclusive disposal of what he or she have produced by their own exertions, or received either by gift or by fair agreement, without force or fraud, from those who produced it. The foundation of the whole is, the right of producers to what they themselves have produced. It may be objected, therefore, to the institution as it now exists, that it recognises rights of property in individuals over things.

which they have not produced example (it may be said) the opera tives in a manufactory create, by their labour and skill, the whole produce, yet, instead of its belonging to them, the law gives them only their stipa lated hire, and transfers the produce to some one who has merely supplied the funds, without perhaps contribu ting anything to the work itself, even in the form of superintendence answer to this is, that the labour of manufacture is only one of the conditions which must combine for the pro-The duction of the commodity labour cannot be carried on without materials and machinery, nor without a stock of necessaries provided in advance, to maintain the labourers

All these during the production things are the fruits of previous labour If the labourers were possessed of them, they would not need to divide the produce with any one, but while they have them not, an equivalent must be given to those who have, both for the antecedent labour, and for the abstinence by which the produce of that labour, instead of being expended on indulgences, has been reserved for this use The capital may not have been, and in most cases was not, crea ted by the labour and abstinence of the present possessor, but it was created by the labour and abstinence of some former person, who may in deed have been wrongfully dispossessed of it, but who, in the present age of the world, much more probably transferred his claims to the present capi talist by gift or voluntary contract and the abstinence at least must have been continued by each successive owner, down to the present If it be said, as it may with truth, that those who have inherited the savings of others have an advantage which they may have in no way deserved, over the industrious whose predecessors have not left them anything, I not only admit, but strenuously contend, that this uncarned advantage should be curtailed, as much as is consistent with justice to those who thought fit to dispose of their savings by giving But while them to their descendants it is true that the labourers are at a disadvantage compared with those whose predecessors have saved, it is also true that the labourers are far better off than if those predecessors had not saved They share in the ad vantage, though not to an equal extent with the inheritors The terms of cooperation between present labour and the fruits of past labour and enving, are a subject for adjustment between Each is necessary to the two parties the other The capitalists can do nothing without labourers, nor the labourers without capital. If the labourers compete for employment, the capitalists on their part compete for labour, to the full extent of the circulating capital of the country Com

petition is often spoken of as if it were necessarily a cause of misery and degradation to the labouring class, as if high wages were not precisely as much a product of competition as low wages. The remuneration of labour is as much the result of the law of competition in the United States, as it is in Ireland, and much more completely so than in England.

The right of property includes, then the freedom of acquiring by contract? The right of each to what he has produced, implies a right to what has been produced by others, if obtained by their free consent, since the producers must either have given it from good will, or exchanged it for what they esteemed an equivalent, and to prevent them from doing so would be to infringe their right of property in the product of their own in dustry

§ 2 Before proceeding to consider the things which the principle of individual property does not include, we must specify one more thing which it does include and this is, that a title, after a certain period, should be given; by prescription According to the fun damental idea of property, indeed, nothing ought to be treated as such, which has been acquired by force or fraud, or appropriated in ignorance of a prior title vested in some other person, but it is necessary to the security of rightful possessors, that they should not be molested by charges of wrong ful acquisition, when by the lapse of time witnesses must have perished or been lost sight of, and the real character of the transaction can no longer be cleared up Possession which has not been legally questioned within a moderate number of years, ought to be, as by the laws of all nations it is a complete title Even when the acqui sition was wrongful, the dispossession. after a generation has elapsed, of the probably bona fide possessors, by the revival of a claim which had been long dormant, would generally be a greater injustice, and almost always a greater private and public mischief, than leaving the original wrong without

It may seem hard, that atonement a claim, originally just, should be defeated by mere lapse of time, but there is a time after which, (even looking at the individual case, and without regard to the general effect on the security of possessors,) the balance of bardship turns the other way the injustices of men, as with the convulsions and disasters of nature, the longer they remain unrepaired, the greater become the obstacles to repairing them, arising from the aftergrowths which would have to be torn up or broken through In no human transactions, not even in the simplest and clearest, does it follow that a thing is fit to be done now, because it was fit to be done sixty years ago. It is scarcely needful to remark, that these reasons for not disturbing acts of injustice of old date, cannot apply to unjust systems or institutions since a bad law or usage is not one bad act, in the remote past, but a perpetual repetition of bad acts, as long as the law or usage lasts

Such, then, being the essentials of private property, it is now to be considered, to what extent the forms in which the institution has existed in different states of society, or still exists, are necessary consequences of its principle, or are recommended by the reasons on which it is grounded

Nothing is implied in property but the right of each to his (or her) own faculties, to what he can produce by them, and to whatever he can get for them in a fair market together with his right to give this to any other person if he classes, and the right of that other to receive and enjoy it

It follows, therefore, that although the right of bequest, or gift after death, forms part of the idea of private property, the right of inheritance, as distinguished from bequest, does not That the property of persons who have made no disposition of it during their lifetime, should pass first to their children, and failing them, to the nearest relations, may be a proper arrange ment or not but is no consequence of

the principle of private property-Although there belong to the decision of such questions many considerations besides those of political economy it is not foreign to the plan of this work to suggest, for the judgment of thinkers, the view of them which most recommends itself to the writer's mind

No presumption in favour of existing ideas on this subject is to be derived from their antiquity In early ages, the property of a deceased person passed to his children and nearest rela tives by so natural and obvious and arrangement, that no other was likely! to be even thought of in competition! with it In the first place, they were usually present on the spot they were in possession, and if they had no other title, had that, so important in an early state of society, of first occupancy Secondly, they were already, in a manner, joint owners of his property during his life If the property was in land, it had generally been conferred by the State on a family rather than on an a individual if it consisted of cattle or moveable goods, it had probably been acquired, and was certainly protected and defended, by the united efforts of all members of the family who were of . an age to work or fight Exclusive individual property, in the modern sense, scarcely entered into the ideas of the time, and when the first magistrate of the association died, he really left nothing vacant but his own share in the division, which devolved on the member of the family who succeeded to his authority To have disposed of the property otherwise, would have been! to break up a little commonwealth, united by ideas, interest, and habits, and to cast them adrift on the world. These considerations, though rather felt than reasoned about, had so great an influence on the minds of mankind, as to create the idea of an inherent right in the children to the possessions of their ancestor, a right which it was not competent to himself to defeat Bequest, in a primitive state of society, was seldom recognised, a clear proof, were there no other, that proporty was conceived in a manner to

tally different from the conception of it |

un the present time *

But the feudal family, the last historical form of patriarchal life, has long perished, and the unit of society is not now the family or clan, composed of all the reputed descendants of a common ancestor, but the individual, or at most a pair of individuals, with their nnemancipated children Property 18 how inherent in individuals, not in families the children when grown up do not follow the occupations or fortunes of the parent of they partice pate in the parent's pecuniary means it is at his or her pleasure, and not by a voice in the ownership and government of the whole, but generally by the exclusive enjoyment of a part and in this country at least (except as far as entails or settlements are an obstacle) it is in the power of parents to disinherit even their children, and Pleave their fortune to strangers More i distant relatives are in general almost as completely detached from the family and its interests as if they were in no way connected with it. The only claim they are supposed to have on their richer relations, is to a preference, cateris paribus, in good offices, and some aid in case of actual necessity

So great a change in the constitu tion of society must make a consider able difference in the grounds on which the disposal of property by inheritance should rest. The reasons usually assigned by modern writers for giving the property of a person who dies in , testate, to the children, or nearest relatives, are first, the supposition that in so disposing of it, the law is more likely than in any other mode to do inhat the proprietor would have done. if he had done anything, and secondly, the hardship, to those who lived with their parents and partook in their opilence, of being cast down from the enjoyments of wealth into poverty and privation

There is some force in both these arguments. The law ought, no doubt,

to do for the children or dependents of an intestate, whatever it was the duty of the parent or protector to have done, so far as this can be known by any one besides himself Since, however, the law cannot decide on individual claims, but must proceed by general rules, it is next to be considered what these rules should be

We may first remark, that in regard to collateral relatives, it is not, unless on grounds personal to the particular individual, the duty of any one to make a pecuniary provision for them one now expects it, unless there happens to be no direct heirs, nor would it be expected even then, if the expectation were not created by the provisions of the law in case of intestacy I see, therefore, no reason why collateral inheritance should exist at all. Bentham long ago proposed, and other high authorities have agreed in 'he opinion, that if there are no heirs either in the descending or in the ascending line, the property, in case of intestacy, should escheat to the With respect to the more, State remote degrees of collateral relation ship, the point is not very likely to be disputed. Few will maintain that there is any good reason why the accumulations of some childless miser should on his death (as every now and then happens) go to enrich a distant relative who never saw him, who per haps never knew himself to be related to him until there was something to be gained by it, and who had no moral claim upon him of any kind, more than the most entire stranger But the reason of the case applies alike to all collaterals, even in the nearest degree, Collaterals have no real claims, but such as may be equally strong in the case of non relatives, and in the one case as in the other, where valid claims exist, the proper mode of paying regard \$ to them is by bequest

The claims of children are of a different nature they are real, and in defensible But even of these, I venture to think that the measure usually taken is an erroneous one what is due to children is in some respects under rated, in others as it appears to me,

See for admirable illustrations of this and many kindred points. Mr Maine's profound work on Ancient Law and its relation to Modern Ideas.

exaggerated One of the most binding [of all obligations, that of not bringing children into the world unless they can be maintained in comfort during child hood, and brought up with a likelihood of supporting themselves when of full age, is both disregarded in practice and made light of in theory in a manner disgracoful to human intelligence the other hand, when the parent pospasses property, the claims of the children upon it seem to me to be the subject of an opposite error ever fortune a parent may have in herited, or still more, may have acquired, I cannot admit that he owes to his children, merely because they are his children, to leave them rich, without the necessity of any exertion I could not admit it, even if to be so left were always, and certainly, for the good of the children themselves this is in the highest degree uncertain It depends on individual character Without supposing extreme cases, it may be affirmed that in a majority of instances the good not only of society but of the individuals would be better consulted by bequeathing to them a moderate, than a large provision This, which is a common place of moralists ancient and modern, is felt to be true by many intelligent parents, and would be acted upon much more frequently, if they did not allow themselves to consider less what really is, than what will be thought by others to be, advantageous to the children

The duties of parents to their children are those which are indissolubly attached to the fact of causing the existence of a human being parent owes to society to endeavour to make the child a good and valuable member of it, and owes to the children to provide, so far as depends on him, such education, and such appliances and means, as will enable them to start with a fair chance of achieving by their own exertions a successful life To this every child has a claim, and I cannot admit that as a child be has a claim to more There is a case in which these obligations present themselves in their true light, without any extrinsic circumstances to disguise

or confuse them at is that of an illegi timate child To such a child it is generally felt that there is due from the parent, the amount of provision for his welfare which will enable him to make his life on the whole a desir I hold that to no child, merely as such, anything more is due, than what is admitted to be due to an illegitimate child and that no child for whom thus much has been done. has, unless on the score of previously raised expectations, any grievance, if the remainder of the parent's fortune is devoted to public uses, or to the benefit of individuals on whom in the parent's opinion it is better bestowed

In order to give the children that fair chance of a desirable existence, to which they are entitled, it is generally necessary that they should not be brought up from childhood in habits! of luxury which they will not have the means of indulging in after life again, 18 a duty often flagrantly violated by possessors of terminable in comes, who have little property to When the children of rich parents have lived, as it is natural they should do, in habits corresponding to the scale of expenditure in which the parents indulge, it is generally the duty of the parents to make greater provision for them, than would suffice for children otherwise brought up I say generally, because even here there is another side to the It is a proposition quite question capable of being maintained, that to a strong nature which has to make its! way against narrow circumstances, to have known early some of the feelings and experiences of wealth, is an advantage both in the formation of character and in the happiness of life But allowing that children have a just ground of complaint, who have been brought up to require luxuries which they are not afterwards likely to obtain, and that their claim, therefore, is good to a provision bearing some relation to the mode of their bringing up , this, too, 18 a claim which is particularly liable to be stretched further than its reasons warrant. The case is exactly that of the younger children of the nobility and landed gentry, the bulk of whose of the fortune passes to the eldest son. The other sons, who are usually numerous, are brought up in the same labits of luxury as the future heir, and they receive, as a younger brother's portion, generally what the reason of the case of dictates, namely, enough to support, in the habits of life to which they are accustomed, themselves, but not a wife or children. It really is no grievance to any man, that for the means of marrying and of supporting a family, he has to depend on his own evertuous.

he has to depend on his own exertions A provision, then, such as is ad mitted to be reasonable in the case of illegitimate children, of younger children, wherever in short the justice of the case, and the real interests of the individuals and of society, are the only things considered, is, I conceive, all that parents owe to their children, and all, therefore, which the state owes to the children of those who The surplus, if any, die intestate I hold that it may rightfully appro priate to the general purposes of the I would not, however, be community supposed to recommend that parents should never do more for their children than what, merely as children, they have a moral right to In some cases it is imperative, in many laudable, and in all allowable, to do much more For this, however, the means are afforded by the liberty of bequest is due, not to the children but to the parents, that they should have the power of showing marks of affection, of requiring services and sacrifices, , and of bestowing their wealth according to their own preferences, or their own judgment of htness

§ 4. Whether the power of bequest should itself be subject to limitation, is an ulterior question of great importance. Unlike inheritance ab intestato, bequest is one of the attributes of property the ownership of a thing can not be looked upon as complete with out the power of bestowing it, at death for during life, at the owner's pleasure and all the reasons, which recommend that private property should exist, recommend pro tanto this extension of

But property is only a means to an end, not itself the end Like all other proprietary rights, and even in a greater degree than most, the power of bequest may be so exercised as to conflict with the permanent interests of the human race It does so, when, not content with bequeathing an estate to A, the testator prescribes that on A's death it shall pass to his eldest son, and to that son's son, and so on for ever No doubt, persons have occasionally exerted themselves more strenuously to acquire a fortune from the hope of founding a family in perpetuity, but the mischiefs to society of such perpetuities outweigh the value of this incentive to exertion, and the incentives in the case of those who have the opportunity of making large fortunes are strong enough with out it. A similar abuse of the power of bequest is committed when a person who does the meritorious act of leaving property for public uses, attempts to prescribe the details of its application in perpetuity, when in founding a place of education, (for instance) he dictates, for ever, what doctrines shall be taught. It being impossible that any one should know what doctrines will be fit to be taught after he has been dead for centuries, the law ought not to give effect to such dispositions of property, unless subject to the per petual revision (after a certain interval has clapsed) of a fitting authority

These are obvious limitations even the amplest exercise of the right of bequest, that of determining the person to whom property shall pass immediately on the death of the testator, has always been reckoned among the privileges which might be limited or varied, according to views of ex-The limitations, hitherto pediency have been almost solely in favour of children. In England the right 18 in principle unlimited, almost the only impediment being that arising from a settlement by a former proprietor, in which case the holder for the time being cannot indeed bequeath his possessions, but only because there us nothing to bequeath, he having merely a life interest By tue Roman law

on which the civil legislation of the Continent of Lumps is principally remine, talents, and to a certain extent founded, bequest originally was not, even opportunities, are inseparable from permitted at all, and even after it was the principle of private property, and introduced, a degitima portio was com pulsorly regard for each child, and with these consequences of it but I such is still the law in some of the see nothing objectionable in fixing a Continertal nations By the French himt to what any one may acquire by law since the Revolution, the parent | the mere favour of others, without any can only dispose by will, of a portion : exercise of his faculties, and in requiring equal to it e share of one child, each of that if he desires any further accession the children taking an equal portion This entail, as it may be called, of the ! lulk of every one's property upon the children collectively, reems to me as little desenville in principle as an entail in favour of one child, though it does not shock so directly the idea of justice. I cannot admit that parents should be compelled to leave to their children even that provision which, us children, I have contended that they thave a moral claim to Children may fo-feit that claim by general untwortluness, or particular ill conduct to the parents they may have other resources or prospects what has been previously done for them, in the way of education and advancement in life, may fully satisfy their moral claim, or others may have claims superior to thurs

The extreme restriction of the power of bequest in French law was adopted as a democratic expedient, to break down the curtom of prinogeniture, and counteract the tendency of inherited property to collect in large masses. agree in thinking these objects can nently desirable, but the means used are not, I think, the most judicious Were I framing a code of laws accord ing to what scems to me best in itself, without regard to existing opinions and sentiments, I should prefer to restrict, not what any one might bequeath, but what any one should be permitted to acquire, by bequest or inheritance Lach person should have power to dis pose by will of his or her whole property, but not to lavish it in enriching some one individual, beyond a certain maximum, which should be fixed sufficiently high to afford the means of comfortable independence The inequalities of property which arise from | sufficient maintenance

unequal industry, fragality, if we accept the principle, we must bear of fortune, he shall work for it * do not conceive that the degree of limitation which this would impose on the right of bequest, would be felt no a burthensome restraint by any testator who estimated a large fortune at its true value, that of the pleasures and advantages that can be purchased with it on even the most extravagant estimate of which, it must be apparent to every one, that the difference to the happiness of the possessor between a moderate independence and five times as much, is insignificant when weighed against the enjoyment that might be given, and the perma nent benefits diffused, by some other disposal of the four fifths. So long indeed as the opinion practically prevails, that the best thing which can be done for objects of affection is to heap on them to satisfy those intrinsically worthless things on which large fortunes are mostly expended, there might be little use in enacting such a law, even if it vere possible to get it passed, since if there were the inclination, there would generally be the power of

* In the case of capital employed in the hands of the owner himself, in carrying on any of the operations of industry, there are strong grounds for leaving to him the power of bequeathing to one person the whole of the funds actually engaged in a single enter prise It is well that he should be enabled to leave the enterprise under the control of whichever of his heirs he regards as best fitted to conduct it virtuously and efficiently. and the necessity (very frequent and inconvenient under the French law) would be obviated, of breaking up a manufacturing or commercial establishment at the death of its chief In like manner it should be al lowed to a proprietor who leaves to one of his successors the moral burthen of keeping up an ancestral mansion and park or plea sure-ground, to beston along with them as much other property as is required for their

evading it The law would be unavail mg unless the popular sentiment went energetically along with it, which (judging from the tenacious adherence of public opinion in France to the law of compulsory division) it would in some states of society and government be very likely to do, however much the contrary may be the fact in England If the re and at the present time Istriction could be made practically of fectual, the benefit would be great Wealth which could no longer be em ployed in over-enriching a few, would either be devoted to objects of public usefulness, or if bestowed on individuals, would be distributed among a larger While those enormous fornumber tunes which no one needs for any personal purpose but estentation or improper power, would become much less numerous, there would be a great mul tiplication of persons in easy circum stances, with the advantages of leisure, and all the real enjoyments which wealth can give, except those of vanity, a class by whom the services which a nation having leisured classes is entitled to expect from them, either by their direct exertions or by the tone they give to the feelings and tastes of the public, would be rendered in a much more beneficial manner than at present. A large portion also of the accumulations of successful industry would probably be devoted to public uses, either by direct bequests to the State, or by the endowment of institutions, as is already done very largely in the United States, where the ideas and practice in the matter of inheritance seem to be unusually rational and beneficial.*

 "Munificent bequests and donations for public purposes, whether charitable or edu cational, form a striking feature in the modern history of the United States, and especially of New England. Not only is it common for rich capitalists to leave by will a portion of their fortune towards the en dowment of national institutions but indi viduals during their lifetime make magni ficent grants of money for the same objects There is here no compulsory law for the equal partition of property among children, as in France, and on the other hand, no custom of entail or primogeniture, as in England, so that the affinent feel themselves at liberty to share their wealth between their kindred and the public; it being im

The next point to be consi dered 18, whether the reasons on which the institution of property rests, are applicable to all things in which a right? of exclusive ownership is at present recognised, and if not, on what other grounds the recognition is defensible 4

The essential principle of property being to assure to all persons what they have produced by their labour and accumulated by their abstinence, this, principle cannot apply to what is not the produce of labour, the raw material If the land derived its! of the earth productive power wholly from nature, and not at all from industry, or if there were any means of discriminating what is derived from each source, it not only would not be necessary, but it would be the height of injustice, to let the guit of nature be engrossed by individuals. The use of the land in agriculture must indeed, for the time being, be of necessity exclusive, the same person who has ploughed and sown must be permitted to reap but the land might be occupied for one season only, as among the ancient Germans, or might be periodically redivided as population; increased or the State might be the universal landlord, and the cultivators tenants under it, either on lease or at will

But though land is not the produce of industry, most of its valuable quali Labour is not only requi ties are so site for using, but almost equally so for fashioning the instrument Considerable labour is often required at the com mencement, to clear the land for cul In many cases, even when

possible to found a family, and parents having frequently the happiness of seeing all their children well provided for and inde pendent long before their death. I have seen a list of bequests and donations made during the last thirty years for the benefit of religious, charitable, and literary institu tions in the State of Massachusetts alone, and they amounted to no less a sum than six millions of dollars, or more than a million sterling "-Lyell's Travels in America, val i

In England, whoever leaves anything, be youd trifling legacies, for public or benefit cent objects, when he has any near relatives living, does so at the risk of being declared incane by a jury after his death, or at the least, of having the property wasted in a Chancery suit to set aside the will

cleared, its productiveness is wholly ceases to be the improver, political the effect of labour and art Bedford Level produced little or nothing until artificially drained. The bogs of Ireland, until the same thing is done to them, can produce little besides fuel. One of the barrennest soils in the world, composed of the material of the Goodwin Sands, the Pays de Waes in Flanders, has been so fer tilized by industry, as to have become one of the most productive in Europe Cultivation also requires buildings and fences, which are wholly the produce of lavour. The fruits of this industry cannot be reaped in a short The labour and outlay are immediate, the benefit is spread over many years, perhaps over all future time A holder will not incur this labour and outlay when strangers and not himself will be benefited by it he undertakes such improvements, he must have a sufficient period before him in which to profit by them, and he is in no way so sure of having al ways a sufficient period as when his tenure is perpetual *

These are the reasons which form the justification, in an economical point of view, of property in land is seen that they are only valid, in so Ifar as the proprietor of land is its im prover Whenever, in any country, the proprietor, generally speaking,

* "What endowed man with intelligence and perseverance in labour what made him direct all his efforts towards an end useful to his race, was the sentiment I perpetuity The lands which the streams have deposited along their course are always the most fer tile but are also those which they menace marshes. Under the guarantee of nerpemarshes. Under the guarantee of perpetuity men undertook long and painful la bours to give the marshes an outlet, to crect embankments against inunda lens, to distribute by irrigation-channels fertilizing waters over the same fields which the same waters had condemned to sterility the same guarantee, man, no longer contenting himself with the annual products of the earth distinguished among the wild vegetation the perennial plants shrubs, and trees which would be useful to him, im proved them by culture changed, it may almost be said, their very nature, and multi-plied their amount. There are fruits which it required centuries of cultivation to bring to their present perfection, and others which

economy has nothing to say in defence of landed property, as there established In no sound theory of private property was it ever contemplated that the proprietor of land should be merely a sinecurist quartered on it

In Great Britain, the landed proprictor is not unfrequently an improver But it cannot be said that he is generally so And in the majority of cases he grants the liberty of cultivation on such terms, as to prevent improvements from being made by any one else the southern parts of the island, as there are usually no leases, permanent improvements can scarcely be made except by the landlord's capital, accordingly the South, compared with, the North of England, and with the Lowlands of Scotland, is still extremely backward in agricultural improvement The truth is, that any very general improvement of land by the landlords, is hardly compatible with a law or custom of primogeniture When the land goes wholly to the heir, it generally goes to him severed from the pecuniary resources which would ena ble him to improve it, the personal property being absorbed by the provi sion for younger children, and the land itself often heavily burthened for the same purpose There is therefore but a small proportion of landlords who have the means of making expensive

have been introduced from the most remote regions. Men have opened the earth to a great depth to renew the soil, and fertilize it by the mixture of its parts and by contact with the air; they have fixed on the hill sides the soil which would have slid off, and have covered the face of the country with a vegetation everywhere abundant and everywhere useful to the human race Among their labours there are some of which the fruits can only be reaped at the end of ten or of twenty years there are others by which their posterity will still benefit after several centuries concurred in augmenting the productive force of nature, in giving to mankind a re venue infinitely more abundant, a revenue of which a considerable part is consumed by those who have no share in the ownership of the land, but who would not have found a maintenance but for that appropriation of the soil by which ther se m at first sight, to have been disinher ted '—Sismondi, Studies in Political Economy, Third Essay, on Territorial Wealth

improvements, unless they do it with borrowed money, and by adding to the mortgages with which in most cases the land was already burthened when they received it But the position of the owner of a deeply mortgaged estate 18 so precarious, economy 18 so unwel come to one whose apparent fortune greatly exceeds his real means, and the vicissitudes of rent and price which only trench upon the margin of his in come, are so formidable to one who can call little more than the murgin his own, that it is no wonder if few landlords find themselves in a condition to make immediate sacrifices for the sake Were they ever so of future profit much inclined, those alone can pru dently do it, who have seriously studied the principles of scientific agriculture and great landlords have seldom sen They might ously studied anything at least hold out inducements to the farmers to do what they will not or cannot do themselves, but even in granting leases, it is in England a eneral complaint that they tie up their tenants by covenants grounded on the practices of an obsolete and exploded agriculture while most of them, by withholding leases altogether, and giving the farmer no guarantee of posecesion beyond a single harvest. Loop the land on a footing little more favour able to improvement than in the time of our barbarous ancestors.

> Immetata quibus jugera liberas Fruges et Cererem ferunt, Nec cultura piscet longior annua.

Landed property in England is thus very far from completely fulfilling the conditions which render its existence economically justifiable But if insuffi ciently realized even in Lingland, in Irrland those conditions are not com phed with at all Nath individual Exceptions (some of them very honour able ones), the owners of Irish estates do nothing for the land but drain it What has been epi of its produce grammatically said in the discussions on "peculiar burthens' is literally true when applied to them, that the greatest "burthen on land" in the ted, they concume its whole produce,

minus the potatoes strictly necessary to keep the inhabitants from dying of famine and when they have any purpose of improvement, the preparatory step usually consists in not leaving even this putance, but turning out the people to beggary if not to starvation * When landed property has placed itself upon this footing it ceases to be defensible, and the time has come for making some new arrangement of the matter

When the "sacredness of property' is talked of, it should always be remem bered, that any such sacredness does not belong in the same degree to landed property No man made the land. It is the original inheritance of the Its appropriation is whole species wholly a question of general expe-When private property in land is not expedient, it is unjust is no hardship to any one, to be excluded from what others have pro duced they were not bound to produce! it for his use, and he loses nothing by not sharing in what otherwise would not have existed at all But it is some hardship to be born into the world and to find all natures guits previously engrossed, and no place left To reconcile peofor the new-comer ple to this, after they have once admitted into their minds the idea that any moral rights belong to them as human beings, it will always be necessary to convince them that the exclu give appropriation is good for mankind on the whole, themselves included. But this is what no sane human being could be persuaded of, if the relation between the landowner and the cul tivator were the same everywhere as it has been in Ireland.

Landed property is felt even by those most tenacious of its rights, to be a different thing from other property, and where the bulk of the community have been disinherited of their share of it, and it has become the exclusive

^{*} I must beg the reader to bear in mind that this pungraph was written eighteen years ago. So wonderful are the changes, he h moral and economical, taking place in our age that without perpetually re writing a work I le the present, it is impossible to keep up with them.

attribute of a small minority, men have generally tried to reconcile it, at least in theory, to their sense of justice, by endeavouring to attach duties to it, and erecting it into a sort of magistracy, either moral or legal the state is at liberty to treat the possessors of land as public functionaries, it is only going one step further to say, that it is at liberty to discard them The claim of the landowners to the land is altogether subordinate to the general policy of the state The principle of property gives them no right to the land, but only a right to compensation for whatever portion of their interest in the land it may be the policy of the state to deprive them of To that, their claim is indefeasible. It is due to land owners, and to owners of any property whatever, recognised as such by the state, that they should not be dispossessed of it without receiving its pecuniary value, or an annual income equal to what they derived from it This is due on the general principles on which property rests If the land was bought with the produce of the Inbour and abstinence of themselves or their ancestors, compensation is due to them on that ground, even if otherwise, it is still due on the ground of prescription. Nor can it ever be necessary for accomplishing an object by which the community altogether will gain, that a particular portion of the community should be immolated. When the property is of a kind to which peculiar affections attach them selves, the compensation ought to exceed a bare pecuniary equivalent But, subject to this proviso, the state is at liberty to deal with landed property as the general interests of the community may require, even to the extent, if it so happen, of doing with the whole, what is done with a part whenever a bill is passed for a railroad The community has or a new street too much at stake in the proper cultivation of the land, and in the conditions annexed to the occupancy of it, to leave these things to the discretion of a class of porsons called landlords, when they have shown themselves unfit for the trust The legislature, which if it pleased might convert the whole body of landlords into fund holders or pensioners, might, à fortiori, commute the average receipts of Irish landowners into a fixed rent charge, and raise the tenants into proprietors, supposing always that the full market value of the land was tendered to the landlords, in case they preferred that to accepting the conditions proposed.

There will be another place for dis cussing the various modes of landed property and tenure, and the advan-! tages and inconveniences of each, in this chapter our concern is with the right itself, the grounds which justify it, and (as a corollary from these) the conditions by which it should be limited. To me it seems almost an axiom that property in land should be interpreted strictly, and that the balance in all cases of doubt should incline against the proprietor. The reverse is the case with property in moveables, and in all things the product of labour over these, the owner's power both of use and of exclusion should be abso-Inte, except where positive evil to others would result from it, but in the case of land, no exclusive right should be permitted in any individual, which cannot be shown to be productive of positive good. To be allowed any exclusive right at all, over a portion of the common inheritance, while there are others who have no portion, is No quantity of already a privilege moveable goods which a person can acquire by his labour, prevents others from acquiring the like by the same means, but from the very nature of the case, whoever owns land, keeps others out of the enjoyment of it. The privilege, or monopoly, is only defensible as a necessary evil, it becomes an injustice when carried to any point to which the compensating good does not follow it

For instance, the exclusive right to the land for purposes of cultivation does not imply an exclusive right to it for purposes of access, and no such right ought to be recognized, except to the extent necessary to protect he produce against damage, and the owner's privacy against invasion The | iniquitous as it is, yet when the state protension of two Dukes to shut up a part of the Highlands, and exclude the rest of mankind from mai y s mare miles of ribuntain scenery to prevent disturbance to wild animals, is an abuse, it exceeds the legitimate bounds of the right of landed property When land is not intended to be cultivated, no good reason can in general be given for its being private property at all, and if any one is permitted to call it his, he ought to know that he holds it by sufferance of the community, and on an implied condition that his owner ship, since it cannot possibly do them any good, at least shall not deprive them of any, which they could have derived from the land if it had been unappropriated. Even in the case of cultivated land, a man whom, though only one among millions, the law permits to hold thousands of acres as his single share, is not entitled to think that all this is given to him to use and abuse, and deal with as if it concerned nobody but himself The rents or profits which he can obtain from it are at his sole disposal, but with regard to the land, in everything which he does with it, and in everything which he abstains from doing, he is morally bound, and Ishould whenever the case admits be legally compelled, to make his interest and pleasure consistent with the public good The species at large still retains, of its original claim to the soil of the planet which it inhabits, as much as is compatible with the purposes for which it has parted with the remainder

Besides property in the pro-, duce of labour, and property in land, there are other things which are or have been subjects of property, in which no proprietary rights ought to exist at all But as the civilized world ans in general made up its mind on most of these, there is no necessity for dwelling on them in this place. the head of them, is property in human It is almost superfluous to observe, that this institution can have no place in any society even pretending to be founded on justice, or on fellowahip between human creatures.

has expressly legalized it, and human beings, for generations, have been bought, sold, and inherited under sanction of law, it is another wrong, in abolishing the property, not to make full compensation This wrong was avoided by the great measure of justice in 1833, one of the most virtuous acts, as well as the most practically benefi cent, ever done collectively by a nation. Other examples of property which ought not to have been created, are properties in public trusts, such as judicial offices under the old French regune, and the heritable jurisdictions which, in countries not wholly emerged from feudality, pass with the land. Our own country affords, as cases in point, that of a commission in the army, and of an advowson, or right of nomination to an ecclesiastical bene-A property is also sometimes created in a right of taxing the public, men monopoly, for instance, or other exclusive privilege These abuses pre vail most in semibarbarous countries, but are not without example in the most civilized. In France there are several important trades and professions, including notaries, attorneys, brokers, appraisers, printers, and (until lately) bakers and butchers, of which the numbers are limited by law brevet or privilege of one of the permitted number consequently brings a When this high price in the market is the case, compensation probably could not with justice be refused on the abolition of the privilege. There are other cases in which this would be more doubtful The question would turn upon what, in the peculiar circumstances, was sufficient to constitute prescription, and whether the legal recognition which the abuse had obtained, was sufficient to constitute it an institution, or amounted only to an occasional licence It would be absurd to claim compensation for losses caused by changes in a tariff, a thing confessedly variable from year to year, or for monopolies like those granted to indivi duals by the Tudors, favours of a despotic authority, which the power that gave was competent at any time to recall

So much on the institution of pro have now to inquire on what principles, perty, a subject of which, for the pur (

and with what results the distribution! poses of political economy, it was of the produce of land and labour is indispensable to treat, but on which effected, under the relations which we could not usefully confine ourselves this institution creates among the to economical considerations. We different members of the community

CHAPTER III.

OF THE CLASSES AMONG WHOM THE PRODUCE IS DISTRIBUTED

PRIVATE property being assumed as a fact, we have next to enu merate the different classes of persons to whom it gives rise, whose concurrence, or at least whose permission, is necessary to production, and who are therefore able to supulate for a share of the produce We have to inquire, according to what laws the produce distributes itself among these classes, by the spontaneous action of the interests of those concerned after which, a further question will be, what effects are or might be produced by laws, in stitutions, and measures of government, in superseding or modifying that spontaneous distribution.

. The three requisites of production, hal has been so often repeated, are labour, capital, and land understanding by capital, the means and apphances which are the accumulated fesults of previous labour, and by land, the materials and instruments supplied by nature, whether contained in the interior of the earth or constituting its surface Since each of these elements of production may be separately approprinted, the industrial community may owners, capitalists, and productive Each of these classes, as labourers such, obtains a share of the produce no other person or class obtains any tlnng, except by concession from them. The remainder of the community is, in fact, supported at their expense, giving, if any equivalent, one consisting of unproductive services These

in political economy as making up the whole community

But although these three sometimes exist as separate classes, dividing the produce among them, they do not necessarily or always so exist The fact is so much otherwise, that there are only one or two communities in which the complete separation of these classes is the general rule land and Scotland, with parts of Bel gium and Holland, are almost the only countries in the world where the land, (capital, and labour employed in agriculture, are generally the property of J separate owners The ordinary case is, that the same person owns either two of these requisites, or all three

The case in which the same person owns all three, embraces the two ex tremes of existing society, in respect to the independence and dignity of the labouring class Erst, when the labourer himself is the proprietoric This is the commonest case in the Northern -States of the American, Union; one of the commonest in France, Switzerland, the three Scan dinavian kingdoms, and parts of Ger many," and a common case in parts

'The Norwegian veturn" (say the Commissioners of Poor Law Enquiry to whom information was furnished from nearly every country in Europe and America by the ambassadors and consuls there) " states that at the last census in 1825, out of a popu lation of 1,051,318 persons, there were 59,464 freeholders. As by 59,464 freeholders must be meant 59 464 heads of families, or about ing of unproductive services These 300,000 individuals, the freeholders must three classes, therefore, are considered form more than one-fourth of the whole popu

of Italy and in Belgium. In all these i countries there are, no doubt, large landed properties, and a still greater number which, without being large, require the occasional or constant aid of hired labourers Much, however, of the land is owned in portions too small to require any other labour than that of the peasant and his family, or fully to occupy even that. The capital employed is not always that of the pensant proprietor, many of these small properties being mortgaged to obtain the means of cultivating, but the capital is invested at the peasant's nsk and though he pays interest for it, it gives to no one any right of interference, except perhaps eventually to take po session of the land, if the interest ceases to be paid.

The other case in which the land, labour, and capital belong to the same person is the case of slave countries, in which the labourers themselves are owned by the landowner. Our West India colonies before emancipation, and the sugar colonies of the nations by whom a similar act of justice is still imperformed, are examples of large establishments for agricultural and manufacturing labour (the production of sugar and rum is a combination of both) in which the land, the factories

lation Mr Macgregor states that in Den mark (by which Zealand and the adjoining i lands are probably meant) out of a popula tion of 926,110, the number of landed proprictors and farmers is 415 110, or nearly one half. In Sleswick Holstein, out ot a popu ation of 604 055, it is 196,017, or about one third. The proportion of proprietors and farmers to the whole population is not given in Sweden; but the Stockholm return estimates the average quantity of land an nexed to a labourer's habitat on at from one to five acres and though the Gottenburg return gives a lower estimate, it adds, that the peasants possess much of the land. In Wurtemburg we are told that more than two-thirds of the labouring population are the proprietors of their own habitations, and that almost all own at least a garden of from three-quarters of an acre to an acre and a half," In some of the estatements In some of the e statements, proprietors and farmers are not discriminated but "all the returns concur in stating the number of day labourers to be very small."—(Preface to Foreign Communications p. xxxviil.) As the general status of the is bouring people, the condition of a work man for hire is almost peculiar to Great Britain.

(if they may be so called), the machinery, and the degraded labourers, are all the property of a capitalist. In this case, as well as in its extreme opposite, the case of the peasant proprietor, there is no division of the produce

When the three requisites are not all owned by the same person, it often happens that two of them are so Sometimes the same person owns the capital and the land, but not the labour. The landlord makes his engagement! directly with the labourer, and supplies, the whole or part of the stock neces-This system is eary for cultivation the usual one in those parts of Continental Europe, in which the labourers are neither serfs on the one hand, not proprietors on the other It was very common in France before the Revolu tion, and is still much practised in some parts of that country, when the land is not the property of the culti-It prevails generally in the level districts of Italy, except those principally pastoral, such as the Ma remma of Tuscany and the Campagna of Rome On this system the divi-ion of the produce is between two classes! the landowner and the labourer

In other cases again the laboured does not own the land, but owns the little stock employed on it, the landlord not being in the habit of supplying This system generally prevails It is nearly universal in m Ireland India, and in most countries of the East, whether the government retains, as it generally does, the ownership of the soil, or allows portions to become. either absolutely or in a qualified sense, the property of individuals however, things are so far better than in Ireland, that the owner of land is in the habit of making advances to the cultivators, if they cannot cultivate without them. For these advances the native landed proprietor usually demands high interest, but the print cipal landowner, the government, makes them gratuitously, recovering the advance after the harvest, together with the rent. The produce is here divided, as before between the same

two classes, the landowner and the labourer

These are the principal variations in the classification of those among whom the produce of agricultural labour is distributed. In the case of manufacturing industry there never more than two classes, the Th_{θ} labourers and the capitalists original artisans in all countries were either slaves, or the women of the family In the manufacturing establishments of the ancients, whether on a large or on a small scale, the labourers were usually the property of the capitalist In general, if any manual labour was thought compatible with the dignity of a freeman, it was only agricultural labour. The converse system, in which the capital was owned by the labourer, was coeval with free labour, and under it the first great advances of manufacturing industry were The artisan owned the achieved. loom or the few tools he used, and

worked on his own account, or at least ended by doing so, though he usually worked for another, first as apprentice and next as journeyman, for a certain number of years before he could be admitted a master But the status of a permanent journeyman, all his life a hired labourer and nothing more, had no place in the crafts and guilds of the Middle Ages In country villages, where a carpenter or a blacksmith cannot live and support hired labourers on the returns of his business, he is even now his own workman, and shopkeepers in similar circumstances are their own shopmen, or shopwomen But wherever the extent of the market admits of it, the distinction is now fully established between the class of capitalists, or employers of labour, and the class of labourers, the capitalists, in general, contributing no other labour than that of direction and superm tendence _

CHAPTER IV

OF COMPFTITION AND CUSTOM

Dispersion of the produce is the result of two determining agen these Competition, and Custom It is important to ascertain the amount of influence which belongs to each of these causes, and in what manner the operation of one is modified by the other

Political economists generally, and English political economists above others, have been accustomed to lay almost exclusive stress upon the first of those agencies, to exaggerate the effect of competition, and to take into little account the other and conflicting principle. They are apt to express themselves as if they thought that competition actually does, in all cases, whatever it can be shown to be the tendency of competition to do. This is partly intelligible, if we consider that only through the principle of com-

petition has political economy any pretension to the character of a science So far as rents, profits, wages, prices, are determined by competition, laws may be assigned for them competition to be their exclusive regu lator, and principles of broad generality and scientific precision may be laid down, according to which they will be regulated. The political economist justly deems this his proper business and, as an abstract or hypothetical sci ence, political economy cannot be required to do, and indeed cannot do, But it would be a anything more great misconception of the actual course of human affairs, to suppose that com petition exercises in fact this unlimited I am not speaking of monopohes, either natural or artificial, or of any interferences of authority with the liberty of production or exchange

been allowed for by political economists I speak of cases in which there is nothing to restrain competition no him drance to it either in the nature of the case or in artificial obstacles, yet in which the result is not determined by competition, but by custom or usage, competition either not taking place at all, or producing its effect in quite a different manner from that which is ordinarily assumed to be natural to it

become in any considerable degree the Competition, in fact, has only governing principle of contracts, at a comparatively modern period farther we look back into history, the more we see all transactions and en gagements under the influence of fixed customs The reason is evident tom is the most powerful protector of the weak against the strong, their sole protector where there are no laws or government adequate to the purpose Custom is a barrier which, even in the most oppressed condition of mankind, tyranny is forced in some degree to frespect. To the industrious population in a turbulent military community, freedom of competition is a yain phrase, they are never in a condition to make terms for themselves by it there is always a master who throws his sword into the scale, and the terms are such as he imposes But though the law of the strongest decides, it is not the interest nor in general the practice of the strongest to strain that law to the utmost, and every relaxation of it has a tendency to become a custom, and every custom to become a right Rights thus originating, and not competition in any shape, determine, in a rude state of society, the share of the produce en lioyed by those who produce it. The relations, more especially, between the landowner and the cultivator, and the payments made by the latter to the former, are, in all states of society but the most modern, determined by the usage of the country Never until late times have the conditions of the occupancy of land been (as a general rule) an aftair of competition. The occupier for the time has very commonly been

Such disturbing causes have always | considered to have a right to retain his holding, while he fulfils the cus tomary requirements, and has thus become, in a certain sense, a co-proprietor of the soil Even where the holder has not acquired this fixity of tenure, the terms of occupation have often been fixed and invariable

> In India, for example, and other Asiatic communities similarly consti tuted, the ryots, or peasant-farmers, are not regarded as tenants at will, nor even as tenants by virtue of a lease. In most villages there are indeed some ryots on this precanous footing, consisting of those, or the descendants of those, who have settled in the place at a known and comparatively recent period but all who are looked upon as descendants or representatives of the original inhabitants, and even many mero tenants of ancient date, are thought entitled to retain their land, as long as they pay the customary What these customary rents are, or ought to be, has indeed, in most cases, become a matter of obscurity, usurpation, tyranny, and foreign conquest having to a great degree obliterated the evidences of them when an old and purely Hundoo prin cipality falls under the dominion of the British Government, or the management of its officers, and when the details of the revenue system come to be inquired into, it is usually found that though the demands of the great landholder, the State, have been swelled by fiscal rapacity until all limit is practically lost eight of, it has yet been thought necessary to have a distinct name and a separate pretext for each increase of exaction, so that the demand has sometimes come to consist of thirty or forty different items, in addition to the nominal rent This cir curtous mode of increasing the pay ments assuredly would not have been resorted to, if there had been an soknowledged right in the landlord to increase the rent. Its adoption is a proof that there was once an effective limitation, a real customary rent, and that the understood right of the ryot to the land, so long as he paid rent according to custom, was at some time

or other more than nominal. The British Government of India always simplifies the tenure by consolidating the various assessments into one, thus making the rent nominally as well as really an arbitrary thing, or at least a matter of specific agreement but it scrupulously respects the right of the ryot to the land, though until the reforms of the present generation (reforms even now only partially carried into effect) it seldom left him much more

than a bare subsistence In modern Europe the cultivators have gradually emerged from a state of personal slavery. The bacconquerors of the Western The barbarian empire found that the easiest mode of ma naging their conquests would be to leave the occupation of the land in the hands in which they found it, and to save themselves a labour so uncongenial as the superintendence of troops of slaves, by allowing the slaves to retain in a certain degree the control of their own actions, under an obligation to furnish the lord with provisions and labour A common expedient was to assign to the serf, for his exclusive use, as much land as was thought sufficient for his support, and to make him work on the other lands of his lord whenever re-By degrees these indefinite quired obligations were transformed into a definite one, of supplying a fixed quantity of provisions or a fixed quantity of labour and as the lords, in time, be came inclined to employ their income in the purchase of luxuries rather than in the maintenance of retainers, the payments in kind were commuted for payments in money Each concession. at first voluntary and revocable at pleasure, gradually acquired the force of custom, and was at last recognised and enforced by the tribunals In this manner the serfs progressively rose into a free tenantry, who held their fland in perpetuity on fixed conditions The conditions were sometimes very onerous, and the people very miserable

* The ancient law books of the Hindoos mention in some cases one-sixth, in others one fourth of the produce, as a proper rent but there is no evidence that the rules laid down in those books were, at any period of history, really acted upon

But their obligations were determined by the usage or law of the country, and

not by competition

Where the cultivators had never been, strictly speaking, in personal bondage, or after they had censed to be so, the exigencies of a poor and little advanced society gave rise to another arrangement, which in some parts of Europe, even highly improved parts, has been found sufficiently advantageous to be continued to the present I speak of the métayer systemi Under this, the land is divided, in small, farms, among single families, the land lord generally supplying the stock which the agricultural system of the country is considered to require, and receiving, in lieu of rent and profit, a fixed proportion of the produce proportion, which is generally paid in kind, is usually (as is implied in the words métayer, mezzaiuolo, and me dietarius,) one-half There are places, however, such as the rich volcanic soil of the province of Naples, where the landlord takes two-thirds, and yet the cultivator by means of an excellent agriculture contrives to live whether the proportion is two-thirds or one half, it is a fixed proportion, not variable from farm to farm, or from The custom of the tenant to tenant country is the universal rule, nobody thinks of raising or lowering rents, or \ of letting land on other than the cus-Competition, as a tomary conditions regulator of rent, has no existence

Prices, whenever there was/ no monopoly, came earlier under the influence of competition, and are much) more universally subject to it, than but that influence is by no means, even in the present activity of mercantile competition, so absolute as is sometimes assumed. There is no proposition which meets us in the field of political economy oftener than this that there cannot be two prices in the same market Such undoubtedly is the natural effect of unimpeded com petition, yet every one knows that there are, almost always, two prices in the same market Not only are there in every large town, and in almost

levery trade, cheap shops and dear shops, but the same shop often sells the same article at different prices to different customers and, as a general rule, each retailer adapts his scale of prices to the class of customers whom he expects. The wholesale trade, in the great articles of commerce, is really funder the dominion of competition There, the buyers as well as sellers are traders or manufacturers, and their purchases are not influenced by indolence or vulgar finery, nor depend on the smaller motives of personal con venience, but are business transactions. In the wholesale markets therefore it is true as a general proposition, that there are not two prices at one time for the same thing there is at each time and place a market price, which can be quoted in a price-current tretail price, the price paid by the actual consumer, seems to feel very slowly and imperfectly the effect of competition. and when competition does exist, it often, instead of lowering prices, merely divides the gains of the high price among a greater number of dealers Hence it is that, of the price paid by the consumer, so large a proportion is absorbed by the gains of retailers, and any one who inquires into the amount which reaches the hands of those who made the things he buys, will often be astonished at its smallness indeed the market, being that of a great city, holds out a sufficient inducement to large capitalists to engage in retail operations, it is generally found a better speculation to attract a large business by underselling others, than merely to divide the field of employment with them. This influence of c inpetition is making itself felt more and more through the principal branches of retail trade in the large towns, and the rapidity and cheapness of transport, by making consumers less dependent on the dealers in their immediate neighbourhood, are tending to assimilate more and more the whole country to a large town, but hitherto it is only in the great centres of business that retail transactions have been chiefly, or even much, determined by competition. Elsewhere it rather acts.

when it acts at all, as an occasional disturbing influence, the habitual regulator is custom, modified from time to time by notions existing in the minds of purchasers and sellers, of some kind of equity or justice

In many trades the terms on which business is done are a matter of positive arrangement among the trade, who use the means they always possess of making the situation of any member of the body who departs from its fixed customs, inconvenient or disagreeable It is well known that the bookgelling-trade mas, until lately, one of these, and that notwithstanding the active spirit of rivalry in the trade, competition did not produce its natural effect in breaking down the trade rules. All professional remuneration is regu lated by custom The fees of physis cians, surgeons, and barristers, the charges of attorneys, are nearly inva-Not certainly for want nable abundant competition in those professions, but because the competition ope rates by diminishing each competitor's chance of fees, not by lowering the fees themselves

Since custom stands its ground against competition to so considerable an extent, even where, from the multitude of competitors and the general energy in the pursuit of gain, the spirit of competition is strongest, we may be sure that this is much more the case where people are content with smaller gains, and estimate their pecuniary interest at a lower rate when balanced against their case or their pleasure I believe it will often be found, in Con tinental Europe, that prices and charges. of some or of all sorts, are much higher in some places than in others not fai distant, without its being possible to assign any other cause than that it has always been so the customers are used to it, and acquiesce in it enterprising competitor, with sufficient capital, might force down the charges, and make his fortune during the process, but there are no enterprising competitors, those who have capital prefer to leave it where it is, or to make less profit by it in a more quiet !

These observations must be received , as a general correction, to be applied whenever relevant, whether expressly mentioned or not, to the conclusions contained in the subsequent portions of this Treatise Our reasonings must, m general, proceed as if the known and natural effects of competition were actually produced by it, in all cases in which it is not restrained by some positive obstacle Where competition, though free to exist, does not exist, or where it exists, but has its natural consequences overruled by any other agency, the conclusions will fail more or less of being applicable To escape

error, we ought, in applying the couclusions of political economy to the actual affairs of life, to consider not only what will happen supposing the maximum of competition, but how far the result will be affected if competition falls short of the maximum

The states of economical relation which stand first in order, to be discussed and appreciated, are those in which competition has no part, the arbiter of transactions being either brute force or established usage. These will be the subject of the next four

chapters

CHAPTER V.

OP SLAVERY

§ 1 Among the forms which society assumes under the influence of the institution of property, there are, as I have already remarked, two, otherwise of a widely dissimilar character, but resembling in this, that the ownership of the land, the labour, and the capital, is in the same hands. One of these cases is that of slavery, the other is that of peasant proprietors. In the one, the landowner owns the labour, in the other the labourer owns the land. We begin with the first.

XIn this system all the produce be-Tlongs to the landlord The food and other necessaries of his labourers are The labourers part of his expenses possess nothing but what he thinks fit to give them, and until he thinks fit to take it back and they work as hard as he chooses, or is able, to compel Their wretchedness is only limited by his humanity, or his pecu With the first considemary interest. ration, we have on the present occa-What the second sion nothing to do in so detestable a constitution of society may dictate, depends on the facilities for importing fresh slaves If full grown able bodied slaves can be procured in sufficient numbers, and

imported at a moderate expense, self-interest will recommend working the slaves to death, and replacing them by importation, in preference to the slow and expensive process of breeding them. Nor are the slave-owners generally backward in learning this lesson. It is notorious that such was the practice in our slave colonies, while the slave trade was legal, and it is said to be so still in Cuba.

When, as among the ancients, the slave-market could only be supplied by captives either taken in war, or kidnapped from thinly scattered tribes on the remote confines of the known world, it was generally more profitable to keep up the number by breeding, which necessitates a far better treatment of them, and for this reason, joined with several others, the condition of slaves, notwithstanding occasional enormities, was probably much less bad in the ancient world than in the colonies of modern nations Helots are usually cited-as the type of the most hideous form of personal slavery, but with how little truth, appears from the fact that they were re gularly armed (though not with the panoply of the hophte) and formed an

integral part of the military strength They were doubtless an of the State inferior and degraded caste, but their slavery seems to have been one of the least oncrous varieties of serfdom Slavery appears in far more frightful colours among the Romans, during the period in which the Roman aristocracy was gorging itself with the plunder of a newly conquered world The Romans were a cruel people, and the worthless nobles sported with the lives of their myrads of slaves with the same reck less prodigality with which they squan dered any other part of their ill-acquired possessions Yet, slavery is divested of one of its worst features when it is compatible with hope franchisement was easy and common enfranchised slaves obtained at once the full rights of citizens, and instances were frequent of their acquiring not only riches, but latterly even honours By the progress of milder legislation under the Emperors, much of the protection of law was thrown round the slave, he became capable of possessing property, and the evil altogether assumed a considerably gentler aspect Until, however, slavery assumes the untigated form of villenage, in which not only the slaves have property and legal rights, but their obligations are more or less hmited by usage, and they partly labour for their own benefit, their condition is seldom such as to produce a rapid growth either of population or of production

So long as slave countries are underpeopled in proportion to their cultivable land, the labour of the elaves, under any tolerable management, produces much more than is sufficient for their support, especially as the great amount of superintendence which their labour requires, preventing the dispersion of the population, en sures some of the advantages of combined labour Hence, in a good soil and climate, and with reasonable care of his own interests, the owner of many I slaves has the means of being rich The influence, however, of such a state of society on production, is perfectly

assori, that labour extorted by fear of punishment is inefficient-and unpro-It is true that in some cir cumstances, human beings can be driven by the lash to attempt, and even to accomplish, things which they would not have undertaken for any payment which it could have been worth while to an employer to offer And it is likely that productive operations which require much com bination of labour, the production of sugar for example, would not have taken place so soon in the American colonies, if slavery had not existed to keep masses of labour together There are also savage tribes so averse from regular industry, that industrial life is scarcely able to introduce itself among them until they are either conquered and made slaves of, or become con querors and make others so after allowing the full value of these considerations, it remains certain that slavery is incompatible with any high state of the arts of life, and any great efficiency of labour For all products which require much skill, slave coun tries are usually dependent on fo Hopeless_slavery effects reigners ally brutifies the intellect, and intel ligence in the slaves, though ofter encouraged in the ancient world and in the East, is in a more advanced state of society a source of so much danger and an object of so much dread to the masters, that in some of the States of America it is a highly pena offence to teach a slave to read. processes carried on by slave labou are conducted in the rudest and mos unimproved manner. And even the animal strength of the slave is, on al average, not half exerted The unpro ductiveness and wastefulness of the in dustrial system in the Slave States i instructively displayed in the valuable writings of Mr Olmsted. The mildes form of slavery is certainly the condition of the serf, who is attached to the soil, supports himself from his alloi ment, and works a certain number c days in the week for his lord there is but one opinion on the ex treme mefficiency of serf labour well understood It is a truism to following passage is from Professo Jones.* wi oso Essay on the Distribu tion of Wealth (or rather on Rent), is a copious reportory of valuable facts on the landed tenures of different countries

"The Russians, or rather those Gorman, writers who have observed the manners and habits of Russia, state some strong facts on this point Middlesex mowers, they say, will mow in a day as much grass as six Russian serfs, and in spite of the dearners of provisions in England and their cheapness u Russia, the mowing a quantity of bry which would cost an English former half a copeck, will cost a Rus Fion proprietor three or four copecks + The Prussian counsellor of state, Jacob, is considered to have proved, that in Russin, where everything is cheap, the labour of a perf is doubly as expensive as that of a labourer in England Schmale gives a startling account of the unproductiveness of serf labour in Prussia, from his own knowledge and observation. In Austria, it is dis-tinctly stated, that the labour of a serf is equal to only one third of that of a free lured labourer This calculation, made in an able work on agriculture (with some extracts from which I have been favoured), is applied to the practical purpose of deciding number of labourers necessary to cultreate an estate of a given magnitude So palpable, indeed, are the ill effects of labour rents on the industry of the agricultural population, that in Austria itself, where proposals of changes of any kind do not readily make their way, schemes and plans for the com 'inutation of labour rents are as popular at in the more stirring German provinces of the North "§

What is wanting in the quality of the labour itself, is not made up by any excellence in the direction and

superintendence. As the same writer* remarks, the landed proprietors "are nocessarily, in their character of cultivators of their own domains, the only guides and directors of the in dustry of the agricultural population," since there can be no intermediate class of capitalist farmers where the labourers are the property of the lord Great landowners are everywhere an idle class, or if they labour at all, addict themselves only to the more exciting kinds of exertion, that hone share which superiors always reserve for themselves "It would," as Mr Jones observes, "be hopeless and irrational to expect, that a race of noble proprictors, fenced round with privileges and dignity, and attracted to military and political pursuits by the advan tages and habits of their station, should ever become attentive cultivators as a body" Even in England, if the cultivation of every estate depended upon its proprietor, any one can judge what There would be would be the result a few cases of great science and energy, and numerous individual instances of moderate success, but the general state of agriculture would be contemptible

§ 3 Whether the proprietors them selves would lose by the emancipation of their slaves, is a different question from the comparative effectiveness of free and slave labour to the community There has been much discussion of this question as an abstract thesis, as if it could possibly admit of any uni versal solution Whether slavery or free labour is most profitable to the employer, depends on the wages of the free labourer These, again, depend on the numbers of the labouring popu lation, compared with the capital and Hired labour is generally the land. so much more efficient than slave labour, that the employer can pay a considerably greater value in wages, than the maintenance of his slaves cost him before, and yet be a gainer

It freed the peasantry from what remained of the bondage of serfdom, the labour rents, decreeing compensation to the landlords at the expense of the state, and not at that of the liberated peasants

Tones, pp 53, 54

^{*} Issay on the Distribution of Wealth and Richard Jones Page 50

† "Schmalz, Economic Politique, French
translation, vol. i p 66"

† Vol. ii p 10"

[†] Vol. ii p 107 § The Hungarian revolutionary government, during its brief existence, bestowed on that country one of the greatest benefits it could receive, and one which the tyranny that succeeded has not dered to take away

oy the change but he cannot do this without limit The deckne of serfdom in Europe, and its extinction in the Western nations, were doubtless hastened by the changes which the growth of population must have made in the pecuniary interests of the master population pressed harder upon the land, without any improvement in agriculture, the maintenance of the terfs necessarily became more costly. and their labour less valuable the rate of wages such as it is in Ire land, or in England (where, in proportion to its efficiency, labour is quite as cheap as in Ireland), no one can for a moment imagine that slavery could If the Irish peasantry be profitable were slaves, their masters would be as willing, as their landlords now are, to pay large sums merely to get rid of In the rich and underpeopled isoil of the West India islands, there is hust as little doubt that the balance of profits between free and slave labour was greatly on the side of slavery, and that the compensation granted to the slaveowners for its abolition was not more, perhaps even less, than an equi valent for their loss

More needs not be said here on a cause so completely judged and decided as that of slavery. Its demerits are no longer a question requiring argument, though the temper of mind manifested by the larger part of the influential classes in Great Britain respecting the struggle now taking place in America, shows how grievously the feelings of the present generation of Englishmen, on this subject, have fallen behind the positive acts of the generation which preceded them. That the sons of the deliverers of the West.

Indian Negroes should see with com placency, and encourage by their sym! pathies, the foundation of a great and commonwealth; powerful military pledged by its principles and driven by its strongest interests to be the armed propagator of slavery through every region of the earth into which its power can penetrate, discloses a mental state in the leading portion of our higher and middle classes, which it is melancholy to see, and will be a lasting blot in English history Fortunately they have stopped short of actually aiding, otherwise than by words, the nefarious enterprise to which they have! not been ashamed of wishing success; and it is now probable that at the expense of the best blood of the Free States, but to their immeasurable elevation in mental and moral worth, the curse of slavery will be cast out from the great American republic, to find its last temporary refuge in Brazil and Cuba. No European country, except Spain alone, any longer participates in the enormity Even serfage has now ceased to have a legal existence in Europe Denmark has the honour of being the first Continental nation which imitated England in liberating its colonial slaves, and the abolition of slavery was one of the earliest acts of the heroic and calumniated Provisional Government of France The Dutch Government was not long behind, and its colonies and dependencies are now. I believe, without exception, free from actual slavery though forced labour for the public authorities is still a recognised institution in Java, soon, we may hope, to be exchanged for complete personal freedom.

CHAPTER VI.

OF PEASANT PROPRIETORS.

perties, as in that of slavery the whole produce belongs to a single owner, and the distinction of rent, profits, and wages, does not exist. In all other respects, the two states of society are the extreme apposites of each other. The one is the state of greatest approximate and degridation to the labouring class. The other is that in which they are the most uncontrolled arbiters of their own lot.

The advantage, however, of small properties in land, is one of the most disputed questions in the range of political economy On the Continent, though there are some dissentients from the prevailing opinion, the benefit of having a numerous proprietary population exists in the minds of most people in the form of an axiom English authorities are either unaware of the judgment of Continental agriculturists, or are content to put it aside, on the plea of their having no experi ence of large properties in favourable circumstances the advantage of large properties being only felt where there lare also large farms, and as this, in ernble districts, implies a greater accumulation of capital than usually exists on the Continent, the great Continental estates, except in the case of grazing farms, are mostly let out for cultivation in small portions There is some truth m this, but the argument admits of being retorted, for if the Continent knows little, by experience, of cultivation on a large scale and by large capt tal, the generality of English writers are no better acquainted practically with peasant proprietors, and have al most always the most erroneous ideas of their social condition and mode of Yet the old traditions even of England are on the same side with the general opinion of the Continent The reomanry who were vaunted as the glory of England while they existed,

and have been so much mourned over since they disappeared, were either small proprietors or small farmers, and if they were mostly the last, the character they bore for sturdy independence is the more noticeable. There is a part of England, unfortunately a very small part, where peasant proprietors are still common, for such are the "statesmen" of Cumberland and West. moreland, though they pay, I believe, generally if not universally, certain customary dues, which, being fixed, no more affect their character of proprietors than the land tax does. but one voice, among those acquainted with the country, on the admirable effects of this tenure of land in those connties No other agricultural popu lation in England could have furnished the originals of Wordsworth's pessantry *

* In Mr Wordsworth's little descriptive work on the scenery of the Lakes, he speaks of the upper part of the dales as having been for centuries ' a perfect republic of shep herds and agriculturists, proprietors, for the most part, of the lands which they occupied The plough of each man and cultivated. was confined to the maintenance of his own family, or to the occasional accommodation of his neighbour. Two or three cows fur nished each family with milk and cheese The chapel was the only edifice that presided over these dwellings, the supreme head of this pure commonwealth, the members of which existed in the midst of a powerful empire, like an ideal society, or an organized community, whose constitution had been imposed and regulated by the mountains Neither high born which protected it nobleman, knight, nor esquire was here but many of these humble sons of the bills had a consciousness that the land which they walked over and tilled had for more than five hundred years been possessed by men of their name and blood was grown in these vales sufficient upon each estate to furnish bread for each family no more. The storms and moisture of the no more climate induced them to sprinkle their upland property with outhouses of native stone as places of shelter for their sheep, where, in tempestuous weather, food was distributed to them Every family spun from its own flock the wool with which it was clothed; a

The general system, however, of] English cultivation, affording no expomence to render the nature and opera tion of peasant properties familiar, and Englishmen being in general profoundly ignorant of the agricultural economy of other countries, the very idea of pea sant proprietors is strange to the Eng hah mind, and does not easily find access to it. Even the forms of lan guage stand in the way the familiar designation for owners of land being "landlords," a term to which "tenants" is always understood as a correlative When, at the time of the famine, the suggestion of peasant properties as a ineans of Irish improvement found its way into parliamentary and newspaper discussions, there were writers of pretension to whom the word "proprietor" was so far from conveying any distinct idea, that they mistook the small hold ings of Irish cottier tenants for peasant properties The subject being so little understood, I think it important, before entering into the theory of it, to do something towards showing how the case stands as to matter of fact, by exhibiting, at greater length than would otherwise be admissible, some of the testimony which exists respecting the state of cultivation, and the comfort and happiness of the cultivators, in those countries and parts of countries, in which the greater part of the land has neither landlord nor farmer, other than the labourer who tills the soil

§ 2 I lay no stress on the condition of North America, where, as is well known, the land, wherever free from the curse of slavery, is almost universally owned by the same person who holds the plough A country combining the natural fertility of America with the knowledge and arts

weaver was here and there found among them, and the rest of their wants was supplied by the produce of the yarn, which they carded and spun in their own houses, and stried to market either under their arms, or more frequently on packhorses, a small train taking their way weekly down the valley, or over the mountains, to the most commodious town —A Description of the Scenery of the Lakes in the North of England, 2rd edit pp 50 to 53 and 53 to 68

of modern Europe, is so peculiarly circumstanced, that scarcely anything, except insecurity of property or a tyrannical government, could materially impair the prosperity of the industrious classes I might, with Sismondi, in sist more strongly on the case of an cient Italy, especially Latium, that Campagna which then swarmed with inhabitants in the very regions which under a contrary regime have become uninhabitable from malaria But 1 prefer taking the evidence of the same writer on things known to him by per sonal observation

"It is especially Switzerland," says M de Sismondi, "which should be tra versed and studied to judge of the happiness of peasant proprietors is from Switzerland we learn that agriculture practised by the very persons who enjoy its fruits, suffices to procure great comfort for a very numerous population, a great independence of character, arising from indelipendence of position, a great com-merce of consumption, the result of the ensy circumstances of all the inhabitants, even in a country whose climate is rude, whose soil is but moderately fertile, and where late frosts and inconstancy of sensons often blight the hopes of the cultivator It is impossible to see without admiration those timber houses of the poorest peasant, so vast, so well closed in, so covered with carvings. In the interior, spacious corridors separate the different cham bers of the numerous family, each chamber has but one bed, which is abundantly formshed with curtains. bedclothes, and the whitest linen. carefully kept furniture surrounds it. the wardrobes are filled with linen, the dairy is vest, well aired, and of exqui ente cleanness, under the same roof is a great provision of corn, salt meat, cheese and wood, in the cow houses are the finest and most carefully tended cattle in Europe, the garden is planted with flowers, both men and women are cleanly and warmly clad, the women preserve with pride their ancient costume, all carry in their faces the impress of health and strength other nations bosst of their opulonee,

busined mar almays point mith, prid to her persons "s

The same emin int writer thus extreses his opinion on prasant pre-

prictorship in general, " Wistorer we find persont proprietier, we also jud the comfort security, d andrace in the future, and indepen-Gener, which nesure at once happiness And virtue The present who with he cliffied does all the work of his hitle inheritance, who pare no rent to any one above hun, nor wages to any one below, who regulates his producti la by his consumption, who cate his own com, drinks his own wine, is clothed in his own bemp and wool, cares little for the prices of the market, for he has little to full and little stybuy, and is never runed by revulstons of tride Instead of fearing for the future, he week it in the colours of hope, for he employs every moment net require I by the labours of the year, on something profitable to his childen and to future generations few minu'es' work suffices him to plant the seed which in a hundred years will be a large tree, to dig the channal which will conduct to him a spring of frish water, to improve by cares often repeated, but stoken from odd times, all the species of animals and reactable swhich surround him. His little patrimony is a true kavings bank, always ready to recove all his little gans and utilize all his monients of leisure. The ever acting power of nature returns them a hundred fold. The pensant has a lively sense of the hap piners attached to the condition of a proprietor Accordingly he is always eager to buy land at any price. He pays more for it than its value, more perhaps than it will bring him in, but is he not right in estimating highly the advantage of having always an advantageous investment for his labour, without underbidding in the wagesmarket-of being always able to find bread, without the necessity of buying it at a scarcity price?

"The pensant proprietor is of all cultivators the one who gets most from the soil, for he is the one who thinks * Studies in Political Economy

most of the future, and who has been most instructed by experience. He is also the one who employs the human powers to most advantage, because dividing his occupations among all the members of his family, he reserves some for every day of the year, so that nobody is over out of work cultivators he is the happiest, and at the same time the land nowhere occupies, and feeds amply without becom ing exhausted, so many inhabitants as where they are proprietors. Finally, of all cultivators the peasant proprietor is the one who gives most encourage? ment to commerce and manufactures, because he is the mehest."

This picture of unwerried assiduity, and what may be called affectionate interest in the land, is borne out in regard to the more intelligent Cantons of Switzerland by English observers "In walking anywhere in the neigh bourhood of Zurich," says Mr Inglis, "in looking to the right or to the left, one is struck with the extraordinary industry of the inhabitants, and if we learn that a proprietor here has a return of ten per cent, we are inclined to say, 'he deserves it' I speak at present of country labour, though I

* And in another work (New Persciples of Political Fronome, book ill chap 3) he says, "When we traverse nearly the whole of Switzerland, and several provinces of brance Italy, and Germany, we need never ask, in looking at any piece of land if it belongs to a peasant proprietor or to a farmer intelligent care, the enjoyments provided for the labourer the adorument which the country has received from his hands, are clear indications of the former an oppressive government may destroy the comfort and brutify the intelligence which should be the result of property; taxation may abstract the best produce of the fields the insolence of government officers may disturb the security of the peasant the im possibility of obtaining justice against a powerful neighbour may sow discourage ment in his mind, and in the fine country which has been given back to the administration of the king of Sardinia, the proprietor, equally with the day labourer, wears the livery of indigence. He was here speaking of Savov, where the peasants were generally proprietors, and, according to au thentic accounts extremely miserable But, as M de Sismondi continues, "It is in vain to observe only one of the rules of political economy, it cannot by itself suffice to produce good; but at least it diminishes evil."

believe that in every kind of trade also, the people of Zurich are remark able for their assiduty, but in the industry they show in the cultivation of their land I may safely say they are unrivalled. When I used to open my casement between four and five in the morning to look out upon the lake and the distant Alps, I saw the labourer in the fields, and when I returned from an evening walk, long after sunset, as late, perhaps, as half past eight, there was the labourer, mowing his grass, or tring up his It is impossible to look at a field, a garden, a hedging, scarcely even a tree, a flower, or a vegetable, without perceiving proofs of the ex-treme care and industry that are bestowed upon the cultivation of the soil. If, for example, a path leads through or by the side of a field of grain, the corn is not, as in England, permitted to hang over the path, exposed to be pulled or trodden down by every passerby, it is everywhere bounded by a fence, stakes are placed at intervals of about a yard, and, about two or three feet from the ground, boughs of trees are passed longitudinally along you look into a field towards even ing, where there are large beds of cauliflower or cabbage, you will find that every single plant has been watered In the gardens, which around Zurich are extremely large, the most punctilious care is evinced in every production that grows. The vegetables are planted with seemingly mathematical accuracy, not a single weed is to be seen, not a single stone. Plants are not earthed up as with us, but are planted in a small hollow, into each of which a little manure is put, and each plant is watered daily Where seeds are sown, the earth directly above is broken into the finest powder, every shrub, every flower is tied to a stake, and where there is wall fruit, a trellice is crected against the wall, to which the boughs are fastened, and there is not a single thing that has not its appropriate resting place "*

* Switzerland, the South of France, and the Pyrenees in 1830 By H. D Inglia, Vol. 1 ch 2

Of one of the remote valleys of the High Alps the same writer thus ex presses himself *—

"In the whole of the Engadine the land belongs to the pensantry, who, like the inhabitants of every other place where this state of things exist, vary greatly in the extent of their pos-Generally speaking, an Engadine peasant lives entirely upon the produce of his land, with the exception of the few articles of foreign growth required in his family, such as coffee, angar, and wine Flax is grown, prepared, spun, and woven, without ever leaving his house. He has also his own wool, which is converted into a blue coat without passing through the hands of either the dyer or the The country is incapable of greater cultivation than it has received All has been done for it that industry and an extreme love of gain can de-There is not a foot of waste land in the Engadine, the lowest part of which is not much lower than the top of Snowdon Whorever grass will grow, there it is, wherever a rock will bear a blade, verdure is seen upon it, wherever an ear of rye will ripen, there it is to be found. Barley and oats have also their appropriate spots, and wherever it is possible to ripen a little patch of wheat, the cultivation of it is attempted. In no country in Europe will be found so few poor as in the Engadine In the village of Suss, which contains about six hun dred inhabitants, there is not a single individual who has not wherewithal to live comfortably, not a single individual who is indebted to others for one morsel that he eats"

Notwithstanding the general prosperity of the Swiss peasantry, this total absence of pauperism, and (it may almost be said) of poverty, cannot be predicated of the whole country, the largest and richest canton, that of Berne, being an example of the contrary, for although, in the parts of it which are occupied by peasant preprietors, their industry is as remark able and their ease and comfort as conspicuous as elsewhere, the canton is

* Ibid. ch. 8 and 10

burthened with a numerous pauper | population, through the operation of the worst regulated system of poor-law administration in Europe, except that of England before the new Poor Law * Nor is Switzerland in some other respects a favourable example of all that peasant proporties might effect. There exists a series of statistical accounts of the Swiss cantons, drawn up mostly with great care and intelligence, containing detailed information, of tolerably recent date, respecting the condition of the land and of the people From these, the subdivision appears to be often so minute, that it can hardly be supposed not to be excessive and the indebtedness of the proprietors in the flourishing canton of Zurich "borders," as the writer expresses it, "on the incredible," so that "only the intensest industry, frugality, temperance, and complete freedom of commerce enable them to stand their ground "† Yet the general conclusion deducible from these books is that since the beginning of the century, and concurrently with the subdivision of many great estates which belonged to nobles or to the cantonal governments, there has been a striking and rapid improvement in almost every department of agriculture, as well as in the houses, the habits, and the food of the people The writer of the account of Thurgau goes so far as to say, that since the

There have been considerable changes in the Poor Law administration and legisla tion of the Canton of Berne since the sentence in the text was written. But I am not sufficiently acquainted with the nature ando peration of these changes, to speak more

particularly of them here.

† Historical, Geographical, and Statistical Picture of Switzerland Part I. Canton of Zurich By Gerold Moyer Von Knonau, 1834, pp 80-1 There are villages in Zurich, he adds, in which there is not a single property unmortgaged It does not, however, follow that each individual proprietor is deeply involved because the aggregate mass of incumbrances is large In the Canton of Schaffhausen, for instance, it is stated that the landed properties are almost all mort-galed, but rarely for more than one-half their registered value (Part XII Canton of Echaffhausen, by Edward Im Thurn, 1840, p 52), and the mortgages are often for the improvement and enlargement of the estate (Part XVII Canton of Thurgas, by J A Pupikofer, 1837, p 200)

subdivision of the fendal estates into peasant properties, it is not uncommon for a third or a fourth part of an estate to produce as much grain, and support as many head of cattle, as the whole estate did before *

One of the countries in which peasant proprietors are of oldest date. and most numerous in proportion to the population, is Norway. Of the social and economical condition of that country an interesting account has been given by Mr. Laing - His testi mony in favour of small landed proportics both there and elsewhere, 18 given with great decision

quote a few passages
"If small proprietors are not good farmers, it is not from the same cause here which we are told makes them so in Scotland—indolence and want of ex-The extent to which irrigation is carried on in these glens and valleys? shows a spirit of exertion and co operation" (I request particular atten tion to this point), "to which the latter can show nothing similar Hay being the principal winter support of live stock, and both it and corn, as well as potatoes, liable, from the shallow soil and powerful reflection of sunshine from the rocks, to be burnt and withered up, the greatest exertions are made to bring water from the head of each glen, along such a level as will give the command of it to each farmer at the head of his fields This is done by leading it in wooden troughs (the half of a tree roughly scooped) from the highest pereniial stream among the hills, through woods, across ravines, along the rocky, often perpendicular, sides of the glens, and from this main trough giving a lateral one to each farmer in passing the head of his farm He distributes this supply by moveable troughs among his fields, and at this season waters each rig successively with scoops like those used by bleachers in watering cloth, laying his trough between every two rigs. One would not believe, without seeing it, how very large an extent of land is traversed expeditiously by these artificial

• Thüryau, p 72

The extent of the main showers In one glen I troughs is very great walked ten miles, and found it troughed on both sides on one, the chain is con tinued down the main valley for forty miles * Those may be bad farmers who do such things, but they are not indolent, nor ignorant of the principle of working in concert, and Leeping up establishments for common benefit They are undoubtedly, in these respects, far in advance of any community of cottars in our Highland glens feel as proprietors, who receive the ad vantage of their own exertions excellent state of the roads and bridges is another proof that the country is in habited by people who have a common interest to keep them under repair . There are no tolls "†

On the effects of peasant proprietorship on the Continent generally, the same writer expresses himself as fol

"If we listen to the large farmer, the scientific agriculturist, the " [English] "political economist, good farming must perish with large farms, the ivery idea that good farming can exist, unless on large farms cultivated with great capital, they hold to be absurd Draining, manuring, economical ar rangement, cleaning the land, regular

• Reichensperger (The Land Question) quoted by Mr hay (Social Condition and Iducation of the People in England and Europe) observes, that the parts of Europe where the most extensive and costly plans for watering the meadows and lands have been carried out in the greatest perfection, are those where the lands are very much subdivided and are in the hands of small proprietors He instances the plain round Valencia, several of the southern departments of brunce, particularly those of au cluse and Bouches du Rhone, Lombardy Turcany, the districts of Sienna, Lucca, and Bergamo, Pledmont, many parts of Germany, &c., in all which parts of Europe the land is very much subdivided among small proprie In all these parts great and expensive systems and plans of general irrigation have been carried out and are now being supported, by the small proprietors themselves, thus showing how they are able to accomplish by means of combination, work requiring the expenditure of great quantities of capi ll Kay, 1 128 † Laing Journal of a Rendence in Norway,

PD 30:37

1 Roles of a Traveller pp. 299 ot segg

rotations, valuable stock and imple! ments, all belong exclusively to 'arge farms, worked by large capital, and by This reads very well; hired labour but if we raise our eyes from their books to their fields, and coolly compare what we see in the best districts farmed in large farms, with what we see in the best districts farmed in small farms, we see, and there is no blinking the fact, better crops on the ground in Flanders, East Friesland, Holstein, in short, on the whole line of the arable land of equal quality on the Continent, from the Sound to Calais! than we see on the line of British coast opposite to this line, and in the same latitudes, from the Frith of Forth all round to Dover Minute labour on small portions of arable ground gives evidently, in equal soils and climate, a superior productiveness, where these small portions belong in property, as in Flanders, Holland, Friesland, and Ditmarsch in Holstein, to the farmer It is not pretended by our agricultural writers, that our large farmers, even in Berwickshire, Roxburghshire, or the Lothians, approach to the garden like cultivation, attention to manures, drainage, and clean state of the land, or in productiveness from a small space of soil not originally rich, which distinguish the small farmers of Flanders, or their system—In the best farmed parish in Scotland or England, more land is wasted in the corners and borders of the fields of large farms, in the roads through them, unnecessarily wide because they are bad, and bad because they are wide, in neglected commons, waste spots, useless belts and clumps of sorry trees, and such unproductive areas, than would maintain the poor of the parish, if they were all laid together and cultivated But large capital applied to farming is of course only applied to the very best of the soils of a country It cannot touch the small unproductive spots which require more time and labour to fertilize them than is consistent with a quick return of capital But although hired time and labour cannot be applied beneficially to such cultivation, the owner sown time and labour may He is working for

no higher terms at first from his land ! than a bare hving But in the course of generations fertility and value are produced, a better hving, and even very improved processes of husbandry, are attained Furrow draining, stall feeding all summer, liquid manures, are universal in the husbandry of the small farms of Flanders, Lombardy, Switzer-Our most improving districts under large farms are but beginning to Dairy husbindry even, ndopt them and the manufacture of the largest cheeses by the co-operation of many small farmers, the mutual assurance of property against fire and hail storms. by the co-operation of small farmersthe most scientific and expensive of all agricultural operations in modern times, the manufacture of bect-root sugar—the supply of the European markets with flax and hemp, by the husbandry of small farmers—the abund ance of legumes, fruits, poultry, in the usual diet even of the lowest classes abroad, and the total want of such variety at the tables even of our middle classes, and this variety and abundance

* The manner in which the Swiss peasants combine to carry on cheesemaking by their united capital deserves to be noted parish in Switzerland hires a man, generally from the district of Gruyere in the canton of Freyburg, to take care of the herd, and make the cheese. One cheeseman, one pressman or assistant, and one cowherd, are considered necessary for every forty cows The owners of the cows get credit each of them, in a book daily, for the quantity of milk given by each cow. The cheeseman and his assistants milk the cows put the milk all together, and make cheese of it, and at the end of the season each owner receives the weight of cheese propor tionable to the quantity of milk his cows have delivered. By this co-operative plan instead of the small sized unmarketable cheeses only, which each could produce out of his three or four cows milk he has the same weight in large marketable cheese superior in quality, because made by people who attend to no other business. The cheeseman and his assistants are paid so much per head of the cows, in money or in cheese, or sometimes they hire the cows, and pay the owners in money or cheese "—Notes of a Traveller, p A similar system exists in the French Jura See for full details, Lavergne, Rural Economy of France, 2nd ed., pp 139 et seqq One of the most remarkable points in this interesting case of combination of labour, is the confidence which it supposes, and which experience must justify in the integrity of the persons employed

essentially connected with the hus bandry of small farmers—all these are features in the occupation of a country by small proprietor-farmers, which must make the inquirer pause before he admits the dogma of our land doctors at home, that large farms worked by hired labour and great capital can alone bring out the greatest productiveness of the soil and furnish the greatest supply of the necessaries and conveniences of life to the inhabitants of a country."

Among the many flourishing regions of Germany in which peasant properties prevail, I select the Palati nate, for the advantage of quoting; from an English source, the results of recent personal observation of its agriculture and its people Mr Howitt! a writer whose habit it is to see all English objects and English socialities on their brightest side, and who, in treating of the Rhenish peasantry, certainly does not underrate the rudeness of their implements, and the inferiority of their ploughing, nevertheless shows that under the invigorating influence of the feelings of proprietor ship, they make up for the imperfections of their apparatus by the inten sity of their application "The peasant harrows and clears his land till it is in the nicest order, and it is admirable to see the crops which he obtains "* "The peasints+ are the great and; ever present objects of country life They are the great population of the country, because they themselves are the possessors This country is, in fact, for the most part, in the hands of the people It is parcelled out among The peasants are the multitude not, as with us, for the most part, totally cut off from property in the soil they cultivate, totally dependent on the labour afforded by others—they are themselves the proprietors. It is, perhaps, from this cause that they are probably the most industrious peal santry in the world They labour busily, early and late, because they

^{*} Rural and Domestic Life of Germany,

t Ibld p 40.

feel that they are fabouring for them The German peasants work hard, but they have no actual want. Every man has his house, his orchard, his roadside trees, commonly so heavy with fruit, that he is obliged to prop and secure them all ways, or they would be torn to pieces He has his corn plot, his plot for mangel wurzel, for hemp, and so on He is his own master, and he, and every member of his family, have the strongest motives to labour You see the effect of this in that unremitting diligence which is beyond that of the whole world besides, and his economy, which is still greater. The Germans, indeed, are not so active and lively as the English You never see them in a bustle, or as though they meant to knock off a vast deal in a little time

They are, on the contrary, slow, but for ever doing They plod on from day to day, and year to year—the most patient, untirable, and persever ing of animals The English peasant is so cut of from the idea of property, that he comes habitually to look upon it as a thing from which he is warned by the laws of the large proprietors, and becomes, in consequence, spirit-The German less, purposeless bauer, on the contrary, looks on the country as made for him and his fellow men He feels himself a man he has a stake in the country, as good as that of the bulk of his neighbours, no man can threaten him with ejection, or the workhouse, so long as he is active and-economical He walks, therefore, with a bold step, he looks you in the face with the air of a free man, but of a respectful one"

Of their industry, the same writer thus further speaks "There is not an hour of the year in which they do not find unceasing occupation. In the depth of winter, when the weather permits them by any means to get out of doors, they are always finding something to do They carry out their manure to their lands while the frost is in them. If there is not frost, they are busy cleaning ditches and felling old fruit trees, or such as do not bear well. Such of them as are too poor to

lay in a sufficient stock of wood, find plenty of work in ascending into the mountainous woods, and bringing It would astonish the thence fuel. English common people to see the intense labour with which the Germans earn their firewood In the depth of frost and snow, go into any of their hills and woods, and there you find them hacking up stumps, cutting off branches, and gathering, by all means which the official wood police will allow, boughs, stakes, and pieces of wood, which they convey home with the most incredible toil and patience "* After a description of their careful and laborious vineyard culture, he con tinues,† "In England, with its great quantity of grass lands, and its large farms, so soon as the grain is in, and the fields are shut up for hay grass, the country seems in a comparative state of rost and quiet. But here they are everywhere, and for ever, hoeing and mowing, planting and cutting, weed ing and gathering. They have a They have a succession of crops like a marketgardener They have their carrots, poppies, hemp, flax, saintfoin, lucerne, rape, colewort, cabbage, rotabaga, black turnips, Swedish and white fur nips, teazles, Jerusalem artichokes, mangel wurzel, parsnips, kidney beans, field beans and peas, vetches, Indian corn, buckwheat, madder for the manu facturer, potatoes, their great crop of tobacco, millet-all, or the greater part, under the family management, in their own family allotments They have had these things first to sow, many of them to transplant, to hoe, to weed, to clear off meects, to top, many of them to mow and gather in successive crops They have their water meadows, of which kind almost all their mendows are, to flood, to mow, and reflood, watercourses to reopen and to make anew, their early fruits to gather, to bring to market with their green crops of vegetables, their cattle, sheep, calves, foals, most of them prisoners, and poultry to look after, their vines, as they shoot rampantly in the sum

Rural and Domestic Life of Germany p 44 † Ibld. v 60.

mer heat, to prune, and thin out the leaves when they are too thick and any one may imagine what a scene of incessant labour it is"

This interesting sketch, to general truth of which any observant traveller in that highly cultivated and populous region can bear witness, accords with the more elaborate delineation by a distinguished inhabitant, Professor Rau, in his little treatise "On the Agriculture of the Palati-Dr Ran bears testimony not only to the industry, but to the skill and intelligence of the peasantry, their judicious employment of manures, and excellent rotation of crops, the progressive improvement of their agriculture for generations past, and the spirit of further improvement which is "The indefatigableness still active of the country people, who may be seen in activity all the day and all the year, and are never idle, because they make a good distribution of their labours, and find for every interval of time a suitable occupation, is as well known as their zeal is praiseworthy in turning to use every circumstance which presents itself, in seizing upon every useful novelty which offers, and even in searching out new and advantageous One easily perceives that the peasant of this district has reflected much on his occupation he can give reasons for his modes of proceeding, even if those reasons are not always tenable, he is as exact an observer of proportions as it is possible to be from memory, without the aid of figures he attends to such general signs of the times as appear to augur him either benefit or barm' †

The experience of all other parts of Germany is similar "In Saxony," says Mr Kay, "it is a notorious fact, that during the last thirty years, and since the peasants became the propertors of the land, there has been a rapid and continual improvement in the condition of the houses, in the manner of living, in the dress of the peasants,

+ itau, pp 15, 16

and particularly in the culture of the land I have twice walked through that part of Saxony called Saxon Switzen land, in company with a German guide and on purpose to see the state of the villages and of the farming, and I can safely challenge contradiction when I affirm that there is no farming in all Europe superior to the laborrously careful cultivition of the valleys of that part of Saxony There, as in the can tons of Berne, Vaud, and Zurich, and in the Rhine provinces, the farms are singularly flourishing. They are kept in beautiful condition, and are always neat and well managed The ground is cleared as if it were a garden hedges or brushwood encumber it Scarcely a rush or thistle or a bit of rank grass is to be seen. The meadows are well watered every spring with liquid manure, saved from the drain ings of the farm yards The grass is so free from weeds that the Sazon meadows reminded me more of English lawns than of anything else I had seen The peasants endeavour to outstrip one another in the quantity and quality of the produce, in the preparation of the ground, and in the general cultivation of their respective portions All the little proprietors are eager to find out how to farm so as to produce the greatest? results, they diligently seek after improvements, they send their children to the agricultural schools in order to fit them to assist their fathers, and each proprietor soon adopts a new im provement introduced by any of his neighbours"* If this be not over stated, it denotes a state of intelligence very different not only from that of English labourers but of English farmers

Mr Kay's book, published in 1850, contains a mass of evidence gathered from observation and inquiries in many different parts of Europe, together with attestations from many distinguished writers, to the beneficial effects of pea-

[•] On the Agriculture of the Palatinate and particularly in the territory of Heidelberg By Dr Karl Heinrich Rau. Heidelberg, 1830

^{*} The Social Condition and Education of the People in England and Europe; showing the Results of the Primars Schools and of the division of Lunded Property in Foreign Countries By Joseph Kay Esq., M.A. Barristor at-Law and late Travelling Bachelor of the University of Cambridge Vol. i. pp. 193-40

sant properties Among the testimoures which he cites respecting their effect on agriculture, I select the following " Parche isperger, himself an inhabi tant of that part of Prussia where the land Is the most subdivided has published a long and very elaborate work to show the admirable consequences of a system of freeholds in land. He expresses a very decided opinion that not only are the gross products of any given number of acres held and cultivated by small or peasant proprietors, greater than the gross products of an equal number of acres held by a few great proprietors, and cultivated by tenant farmers, but that the net products of the former, after deducting all the expenses of ultivation, are also greater than the net products of the latter mentions one fact which seems to prove that the fertility of the land in countries where the properties are small, must be rapidly increasing He says that the price of the land which is divided into small properties in the Prussian Rhine provinces, is much higher, and has been rising much more rapidly, than the price of land on the great estates and Professor Rau both say that this rise in the price of the small estates would have ruined the more recent purchasers, unless the productiveness of the small estates had increased in at least an equal proportion, and as the small proprietors have been gradually becoming more and more prosperous notwithstanding the increasing prices , they have paid for their land, he argues, with apparent justness, that this would seem to show that not only the gros-, profits of the small estates but the n t profits also, have been gradually in erreasing, and that the net profits per incre, of land, when farmed by small proprictors, are gienter than the net profits per acre of land farmed by a great proprietor. He save, with seem ing trut i, that the increasing price of land in the small estates cannot be the mere effect of competition, or it would have diminished the profits and the prosperity of the small proprietors, and that this result has not followed the

"Albrecht Thaer, another celebrated

German writer on the different systems of agriculture, in one of his later works (Principles of Rational Agriculture) expresses his decided conviction, that the net produce of land is greater when farmed by small proprietors than when farmed by great proprietors than when farmed by great proprietors or their tenants. This opinion of Thiner is all the more remarkable as, during the early part of his life, he was very strongly in favour of the English system of great estates and great farms."

Mr Kay adds, from his own observation, "The peasant farming of Prussia, f Saxony, Holland, and Switzerland is the most perfect and economical farmiing I have ever witnessed in any

country "*.

§ 5 But the most decisive example. in opposition to the English prejudice against cultivation by peasant proj! prietors, is the case of Belgium soil is originally one of the worst in Europe "The provinces,' says Mr M'Culloch,+ "of West and East Flanders, and Hamault, form a far stretching plain, of which the luxument vegetation indicates the indefatigable care and labour bestowed upon its cultivation, for the natural soil consists almost wholly of barren sand, and its great fertility is entirely the result of very skilful management and judicious application of various manures. There exists a carefully prepared and comprehensive treatise on I femish Husbandry, in the Farmer's Series of the Society for the Pullusi in of Useful Knowledge The writer observes, I that the Chaush agriculturists "seem to want nothing but a space to work upon whatever be the quality or texture of the soil, in time they will make it produce some The sand in the (ampine can thing be compared to nothing but the sands on the sea shore, which they probably It is highly interestwere originally ing to follow step by step the progress of improvement. Here you see a cottage and rude cow shed erected on a spot of the most unpromising aspect. The loose white sand blown into irre-

^{*} Kay, i 116-8 † Geographical Dictionary, art ' Belgium,' ‡ Pp 11-14.

gular mounds is only kept together by the roots of the heath a small spot only is levelled and surrounded by a ditch part of this is covered with young broom, part as planted with potatoes, and perhaps a small patch of diminutive clover may show itself ." but manures, both solid and liquid, are collecting, "and this is the nucleus from which, in a few years, a little farm will If there is no spread around. manure at hand, the only thing that can be sown, on pure sand, at first, 18 broom this grows in the most barren Boils, in three years it is fit to cut, and produces some return in fagots for the bakers and brickmakers The leaves which have fallen have somewhat en riched the soil, and the fibres of the roots have given a certain degree of compactness It may now be ploughed and sown with buckwheat, or even with rye without manure By the time this is reaped, some manure may have been collected, and a regular course of cropping may begin As soon as clover and potatoes enable the farmer to keep cows and make manure, the improvement goes on rapidly, in a few years the soil lundergoes a complete change it becomes mellow and retentive of moisture, and enriched by the vegetable matter afforded by the decomposition of the roots of clover and other plants

After the land has been gradually brought into a good state, and is cultivated in a regular manner, there appears much less difference between the soils which have been originally good, and those which have been made so by labour and industry At least the crops in both appear more nearly alike at harvest, than is the case in soils of different qualities in other countries This is a great proof of the excellency of the Flemish system, for it shows that the land is in a constant state of improvement, and that the deficiency of the soil is compensated by greater attention to tillage and manuring, especially the latter"

The people who labour thus intensely, because labouring for themselves, have practised for centuries those principles of rotation of crops and economy of manures, which in England are counted

among modern discoveries and even now the superiority of their agriculture. as a whole, to that of England, is ad mitted by competent judges cultivation of a poor light soil, or it moderate soil," says the writer las quoted," "13 generally superior in Flanders to that of the most improved -larms of the same kind in Britain We surpass the Flemish larmer greatly in capital, in varied implements of tillage, in the choice and breeding of cattle and sheep," (though, according to the same authority, they are much "before us in the feeding of their cows,") "and the British farmer is in general a man of superior education to the Flemish But in the minute attention to the qualities of the soil, in the ma nagement and application of manures of different kinds, in the judicious suc cession of crops, and especially in the economy of land, so that every part of it shall be in a constant state of production, we have still something to learn from the Flemings," and not from an instructed and enterprising Fleming here and there, but from the general practice

Much of the most highly cultivated part of the country consists of peasant properties, managed by the proprietors, always either wholly or partly by spade "When the land is culti industry ‡ vated entirely by the spade, and no horses are kept, a cowns kept for every three acres of land, and entirely fed on . artificial grasses and roots This mode of cultivation is principally adopted in the Waes district, where properties are All the labour is done by very small the different members of the family," children soon beginning "to assist in various minute operations, according to their age and strength, such as weed ing, hoeing, feeding the cows can raise rye and wheat enough to make their bread, and potatoes, tur mps, carrots, and clover, for the cows, they do well, and the produce of the sale of their rape seed, their flax, their homp, and their butter, after deducting the expense of manure purchased, which

^{*} Flemish Husbandry, p. 8.

t Ibid p 13
1 Ibid, pp 78 et seq

is always considerable, gives them a very good profit Suppose the whole extent of the land to be six acres, which is not an uncommon occupation, and which one man can manage," then (after describing the cultivation), a man with his wife and three young children are considered as equal to three and a half grown up men, the fa mily will require thirty nine bushels of grain, forty nine bushels of potatoes, a fat hog, and the butter and milk of one cow an acre and a half of land will produce the grain and potatoes, and allow some corn to finish the fattening of the hog, which has the extra butter another acre in clover, carrots, and potatoes, together with the stubble turnips, will more than feed the cow, consequently two and a half acres of land is sufficient to feed this family, and the produce of the other three and a half may be sold to pay the rent or the interest of purchase-money, wear and tear of implements, extra manure. and clothes for the family But these acres are the most profitable on the farm, for the hemp, flax, and colza are included, and by having another acre in clover and roots, a second cow can be kept, and its produce sold. We have, therefore, a solution of the problem, how a family can live and thrive on six acres of moderate land." After showing by calculation that this extent of land can be cultivated in the most perfect manner by the family without any aid from hired labour, the writer continues, "In a farm of ten acres en tirely cultivated by the spade, the addi tion of a man and a woman to the members of the family will render all the operations more easy, and with a borse and cart to carry out the manure, and bring home the produce, and occasionally draw the harrows, fifteen acres may be very well cultivated it will be seen," (this is the result of some pages of details and calculations,*) "that by spade husbandry, an industri ous man with a small capital, occupying only fifteen acres of good light land, may not only live and bring up a fa mily, paying a good rent, but may acou mulate a considerable sum in the course

of his life" But the indefatigable in dustry by which he accomplishes this and of which so large a portion is expended not in the incre cultivation, but in the improvement, for a distant return, of the soil itself—has that industry no connexion with not paving rent? Could it exist, without presupposing, at least, a virtually permanent tenure?

As to their mode of living, "the Flemish farmers and labourers live much more economically than the same class in England they seldom ment, except on Sundays and in hard vest buttermilk and potatoes with brown bread is their daily food" is on this kind of evidence that English travellers, as they hurry through Liu rope, pronounce the pensantry of every Continental country poor and miserable, its agricultural and social system! a failure, and the English the only regime under which labourers are well off is, truly enough, the only regime under which labourers, whether well off or not, never attempt to be better little are English labourers accustomed to consider it possible that a labourer should not spend all he earns, that they habitually mistake the signs of eco nomy for those of poverty Observe the true interpretation of the pheno-

"Accordingly they are gradually acquiring capital, and their great am bition is to have land of their own. They eagerly seize every opportunity of purchasing a small farm, and the price is so raised by competition, that land pays little more than two per cent interest for the purchase money. Large properties gradually disappear, and are divided into small portions, which sell at a high rate. But the wealth and industry of the population is continually increasing, being rather diffused through the masses than accumulated in individuals."

With facts like these, known and accessible, it is not a little surprising to find the case of Flanders referred to not in recommendation of peasant properties, but as a waining against them, on no better ground than a presumptive excess of population, inferred from the distress which existed among the pea

[·] Flemish Husbandry, p 81

santry of Brabant and East Flanders in the disastrous year 1846.47 evidence which I have cited from a writer conversant with the subject, and having no economical theory to support, shows that the distress, whatever may have been its severity, arose from no insufficiency in these little properties to supply abundantly, in any ordinary circumstances, the wants of all whom they have to maintain. It arose from the essential condition to which those are subject who employ land of their own in growing their own food, namely, that the vicissitudes of the seasons must be borne by themselves, and cannot, as in the case of large farmers, be shifted from them to the consumer When we remember the season of 1846. a partial failure of all kinds of grain, and an almost total one of the potato, it is no wonder that in so unusual a calamity the produce of six acres, half of them sown with flax, hemp, or oil seeds, should fall short of a year's provision for a family But we are not to contrast the distressed Flemish peasant with an English capitalist who farms several hundred acres of land peasant were an Englishman, he would not be that capitalist, but a day-labourer under a capitalist And is there no distress, in times of dearth, among day-labourers? Was there none, that year, in countries where small proprietors and small farmers are unknown? I am aware of no reason for believing that the distress was greater in Belgium, than corresponds to the propor-tional extent of the failure of crops compared with other countries.*

56 The evidence of the beneficial operation of peasant properties in the Channel Islands is of so decisive a character, that I cannot help adding to the numerous citations already made,

To the preceding testimonies respecting districts Germany, Switzerland, and Belgium, may ii p 149

part of a description of the economical condition of those islands, by a writer who combines personal observation with an attentive study of the information afforded by others Mr William Thornton, in his "Plea for Peasant Proprietors," a book which by the ex cellence both of its materials and of its execution, deserves to be regarded as the standard work on that side of the question, speaks of the island of Guernsey in the following terms "Not even in England is nearly so large a quan tity of produce sent to market from a tract of such limited extent This of itself might prove that the cultivators must be far removed above poverty, for being absolute owners of all the produce raised by them, they of course sell only what they do not themselves require. But the satisfactoriness of their condition is apparent to every observer 'The happiest community,' says Mr Hill, 'which it has ever been my lot to fall in with, is to be found in this httle island of Guernsey' 'No matter,' says Sir George Head, 'to what point the traveller may choose to bend his way, comfort everywhere prevails What most surprises the English visitor in his first walk or drive beyond the bounds of St Peter's Port, is the appearance of the habitations with which the landscape is thickly studded Many of them are such as in his own country would belong to persons of middle rank, but he is puzzled to guess what sort of people live in the others, which, though in general not large enough for farmers, are almost invari ably much too good in every respect for day labourers Literally, in the whole island, with the exception of a few fishermen's huts, there is not one so mean as to be likened to the ordinary habitation of an English farm labourer 'Look,' says a late Bailiff of

be added the following from Niebuhr, re specting the Roman Campagna. In a letter from Tivoli, he says, "Wherever you find hereditary farmers, or small proprietors, there you also find industry and honesty I believe that a man who would employ a large fortune in establishing small freeholds might put an end to robbery in the mountain districts"—Life and Letters of Niebuhr, vol. ii p. 149

As much of the distress lately complained of in Belgium, as partakes in any degree of a permanent character appears to be almost confined to the portion of the population who carry on manufacturing labour, either by itself or in conjunction with agricultural, and to be occasioned by a diminished demand for Belgic manufactures

Guernsey, Mr De L'Isle Brock, 'at the hovels of the English, and compare them with the cottages of our per Reggers are utterly un Bantry 1 Pauperism, able bodied pauperism at least is nearly as rare as The Savings Banks ac mendicancy counts also bear witness to the general abundance enjoyed by the labouing classes of Guernsey In the year 1841. there were in Figland, out of a population of nearly fifteen millions, less than 700,000 depositors, or one in every twenty persons, and the average amount of the deposits was 30! Guernsey, in the same year, out of a population of 26,000 the number of depositors was 1920 and the average amount of the deposits 101"* The ovidence as to Jersey and Alderney is of a similar character

Of the efficiency and productiveness of agriculture on the small properties of the Channel Islands, Mr Thornton produces ample evidence, the result of which he sums up as follows "Thus it appears that in the two principal Channel Islands, the agricultural population is, in the one twice, and in the other, three times, as dense as in Bri tain, there being in the latter country only one cultivator to twenty two acres of cultivated land, while in Jersev there is one to eleven, and in Guernsey one lo seven acres. Let the agriculture of these islands maintains, besides cultivators, non agricultural populations, respectively four and five times as dense as that of Britain This differ ence does not arise from any superi onty of soil or climate possessed by the Channel Islands, for the former is no turally rather poor, and the latter is not better than in the southern coun ities of England It is owing entirely to the assiduous care of the farmers, and to the abundant use of manure "+ "In the year 1837," he says in another place,† "the average yield of wheat in the large farms of England was only twenty-one bushels, and the highest average for any one county was no more than twenty-six bushels * A Plea for Peasart Proprietors

A Plea for Peasart Proprietors 1 William Thomas Thornton, pp 07-104.

f Ibld p 88 f Ibld. p 9 highest average since claimed for the chole of Ingland is there bushels In lersey, where the average size of farms is only sixteen acres, the average produce of wheat per acre was stated by linghs in 1821 to be the ty-ix Lushels, but it is proved by official inbles to have been forty bushels in the five years ending with 1833 tenemeny, - where farms are still smaller, four quarters per acre, ac conling to Inglis, is considered a good, but still a very common crop " "Thirty shillings* an acre vould be thought in highand a very fair rent for mid ling land but in the Channel Islands, it is only very inferior land that would not let for at least 4L"

It is from France, that im. pressions unfavourable to peasant properties are generally drawn, it is in brance that the system is so often asserted to have brought forth its fruit in the most wretched po-sible agricul? ture, and to be rapidly reducing, if not to have already reduced, the pearantry, by subdivision of land, to the verge of starvation. It is difficult to account for the general prevalence of impressions so much the reverse of truth agriculture of France wretched, and the peneratry in great indigence, before the Revolution that time they were not, so universally as at present, landed proprietors. There were, however, considerable districts of I rance where the land, even then, was to a great extent the property of the peasantry, and among these were many of the most conspicuous exceptions to the general bad agriculture and to the general poverty. An au thorsty, on this point, not to be dis puted, is Arthur Young, the inveterate enemy of small farins, the corypheus of the modern English school of agri culturists, who jet, travelling over nearly the whole of France in 1787, 1788, and 1789, when he finds remark able excellence of cultivation, never hesitates to ascribe it to pensant pro-"Leaving Sauve," says hert perty

^{*} A Plea for Peasant Proprietors, p 32 † Arthur Young's Travels in France, vol. i p 50

tract of land, or minute nothing but inco weks, get most of it evelward an infinited with the most in Instrums attention. Fore may lize an olive, a ninllers, an air and, or a said tree and noes contiend among them, ro that the while ground is covered with the offest mixture of these plants and billion to ke that ero be concerned The sal of the village decree eror recene at for the randi stry, and if I were a I rench maneter they should have it. They would soon torn all the derrits around them u to guidens. Such a knot of netire he-handmen the term their nicks into secure of firtulity, because I suppose their own would do the same by the waster, if animated by the rame component principle. Again * "Walk to Ros ren lal," (near Dunkirk) "where M le lieve has an improvement on the Dunce, which he very obligingly showed Retween the town and that place is a great number of next lettle houses. built each with its garden, and one or two fields enclosed, of most wretched blowing dune rand, naturally as white as snow, but improved by industry The magic of property turns sand to gold. And again to Going out of trange, I was surprised to find by far the greatest exertion in irrigation which I had yet seen in I rance, and then passed by some steep mountains, lughly cultivated in terraces watering at St Lawrence. The accuery very interesting to a farmer Gange, to the mountain of rough ground which I crossed, the ride has been the most interesting which I have taken in Iranco, the efforts of in dustry the most vigorous, the animation the most lively. An activity has been here, that has swept away all difficulties before it, and has clothed the very rocks with verdure - It would be a disgrace to common sense to ask the cause, the enjoyment of property must have done it. Give a man the secure possession of a bleak rock, and he will turn it into a garden, give him

"I was much strick with a large ja nine years leave of a guiden, and be vill convert it into a dese t"

In his de cription of the country at the foot of the Western Pyrenecs, he speaks no longer from enringe, but from knowledge "Take" the road to Meneng, and come presently to a scene which was so new to me in France. that I could hardly believe my own A succession of many well built tight, and comfortable farming cottages built of stone and covered with tiles each having its little gar den enclosed by clint thorn hedges, with plenty of peach and other fruittrees, some fine oaks scattered in the hedges, and young trees nursed up with so much care, that nothing but the fe tering attention of the owner could effect anything like it every house belongs a farm, feetly well enclosed, with grass bor ders mown and neatly kept around the comfields, with gites to pass from one enclosure to another are some parts of Lugland (where small yeomen still remain) that resemble this country of Beam, but we have very little that is equal to what I have seen in this ride of twelve nules from Pau to Moneng in the hands of little proprietors, with out the farms being so small as to occasion a vicious and miserible popu-An air of neatness, wirmth, lation and comfort breathes over the whole It is visible in their new built houses and stables, in their little gardens, in their hedges, in the courts before their doors, even in the coops for their poultry, and the sties for their hogs A peasant does not think of rendering his pig comfortable, if his own happi ness hang by the thread of a nine, years' lease. We are now in Bearn, within a few miles of the cradle of Do they inherit these Henry IV blessings from that good prince? The, benignant genius of that good monarch seems to reign still over the country , cach peasant has the four in the pot " He frequently notices the excellence of the agriculture of French Flanders, where the farms "are all small, and

* Arthur Loungs Travels in France

^{*} Arthur Young's Travels in France, F8 q ,1 fav

much in the hands of little proprietors "? In the Pays de Caux, also a country of small properties, the agriculture was miserable, of which his explanation was, that it "is a manufacturing country, and farming is but a secon dary pursuit to the cotton fabric, which spreads over the whole of it "+ same district is still a seat of manu factures, and a country of small proprictors, and is now, whether we judge from the appearance of the crops or from the official returns, one of the In "Flanbest cultivated in France ders, Alsace, and part of Artois, as well as on the banks of the Garonne, France possesses a husbandry equal to our own 't Those countries, and a considerable part of Quercy, "are cul tivated more like gardens than farms Perhaps they are too much like gar dens, from the smallness of properties "§ In those districts the admirable rotation of crops, so long practised in Italy, but at that time generally neglected in France, was already universal "The rapid succession of crops, the harvest of one being but the signal of sowing immediately for a second," (the same fact which strikes all observers in the valley of the Rhine,) "can scarcely be carried to greater perfecand this is a point, perhaps, of all others the most essential to good husbandry, when such crops are so justly distributed as we generally find them in these provinces, cleaning and ameliorating ones being made the preparation for such as foul and ex haust."

It must not, however, be supposed that Arthur Young's testimony on the subject of peasant properties is uniformly favourable. In Lorraine, Champagne, and elsewhere, he finds the agriculture bad, and the small proprietors very miserable, in consequence, as he says, of the extreme subdivision of the land. His opinion is thus summed up The Before I travelled, I conceived that small farms, in property, were very susceptible of good cultivation, and that the occupier of such, having

no rent to pay, might be sufficiently at his ease to work improvements, and carry on a vigorous husbandry, but what I have seen in France, has greatly lessened my good opinion of them In Flanders, I saw excellent husbandry on properties of 30 to 100 acres, but we seldom find here such small patches of property as are common ? in other provinces In Alsace, and on the Garonne, that is, on soils of such exuberant fertility as to demand no exertions, some small properties also are well cultivated In Bearn, I passed through a region of little farmers, whose appearance, neatness, ease, and happiness charmed me, it was what property alone could, on a small scale, effect, but these were by no means contemptibly small, they are, as I judged by the distance from house to house, from 40 to 80 acres Except these, and a very few other instances, I saw nothing respectable on small properties, except a most unremitting Indeed, it is necessary to industry impress on the reader's mind, that though the husbandry I met with, in a great variety of instances on little properties, was as bad as can be well conceived, yet the industry of the possessors was so conspicuous, and so mentorious, that no commendations would be too great for it. It was sufficient to prove that property in land 18, of all others, the most active instigator to severe and incessant And this truth is of such force and extent, that I know no way so sure of carrying tillage to a mountain top, as by permitting the adjoin ing villagers to acquire it in property, in fact, we see that in the mountains of Languedoc, &c, they have con veyed earth in baskets, on their backs. to form a soil where nature had denied

The experience, therefore, of this celebrated agriculturist, and apostle of the grande culture, may be said to be, that the effect of small proporties, cultivated by peasant proprietors, is ad imirable when they are not too small is so small, namely, as not fully to occupy the time and attention of the family, for he often complains, with great

apparent reason, of the quantity of l idle time which the peasantry had on their hands when the land was in very small portions, notwithstanding the ardour with which they toiled to improve their little patrimony, in every way which their knowledge or ingenuity could suggest He recommends, accordingly, that a limit of subdivision should be fixed by law, and this is by no means an indefensible proposiftion in countries, if such there are, where division, having already gone farther than the state of capital and the nature of the staple articles of cul tivation render advisable, still continues progressive That each pensant should have a patch of land, even in full property, if it is not sufficient to support him in comfort, is a system with all the disadvantages, and scarcely

any of the benefits, of small properties, since he must either live in indigence on the produce of his land, or depend as habitually as if he had no landed possessions, on the wages of hired labour which, besides, if all the hold ings surrounding him are of similar dimensions, he has little prospect of finding The benefits of peasant properties are conditional on their not being too much subdivided, that is, on their not being required to main tain too many persons, in proportion to the produce that can be raised from them by those persons The question resolves itself, like most questions re specting the condition of the labouring classes, into one of population small properties a stimulus to undue multiplication, or a check to it?

CHAPTER VIL

CONTINUATION OF THE BAME SUBJECT

§ 1 Before examining the influence of peasant properties on the ultimate economical interests of the labouring class, as determined by the indrease of population, let us note the points respecting the moral and social influence of that territorial arrangement, which may be looked upon as established, either by the reason of the case, or by the facts and authorities cited in the preceding chapter

The reader new to the subject must have been struck with the powerful impression made upon all the witnesses to whom I have referred, by what a Swiss statistical writer calls the "almost superhuman industry" of peasant proprietors * On this point, at least, authorities are unanimous. Those who have seen only one country of peasant properties, always think the inhabitants of that country the most industrious in the world. There is as httle doubt among observers, with

* The Canton Schaffhausen (before quoted),

what feature in the condition of the peasantry this pre eminent industry is connected It is "the magic of property," which, in the words of Arthur Young, "turns sand into gold" The idea of property does not, however, necessarily imply that there should be no rent, any more than that there should be no taxes It merely implies that the rent should be a fixed charge, not hable to be raised against the possessor by his own improvements, or by the will of a landlord A tenant at a quit-rent is, to all intents and purposes, a proprietor, a copyholder is not less so than a freeholder What 18 wanted 18 permanent possession on fixed terms "Give a man the secure possession of a bleak rook, and he will turn it into a garden, give him anine years' lease of a garden, and he will convert it into a desert "

The details which have been cited, and those, still more minute, to be found in the same authorities, concerning the habitually elaborate sys

tem of cultivation, and the thousand devices of the peasant proprietor for making every superfluous hour and odd moment instrumental to some in crease in the future produce and value of the land, will explain what has been said in a previous chapter* respecting the far larger gross produce which, with anything like parity of agricul tural knowledge, is obtained, from the same quality of soil, on small farms, at least when they are the property of the cultivator The treatise on "Flem ish Husbandry" is especially instructive respecting the means by which untining industry does more than outweigh inferiority of resources, imper fection of implements, and ignorance The peasant of scientific theories cultivation of Flanders and Italy 18 affirmed to produce heavier crops, in equal circumstances of soil, than the best cultivated districts of Scotland and England. It produces them, no doubt, with an amount of labour which, if paid for by an employer, would make the cost to him more than equivalent to the benefit, but to the peasant it is not cost, it is the devotion of time which he can spare, to a favourite pursuit, if we should not rather say a ruling passion.+

* Supra, Book i, ch ix § 4.

† Read the graphic description by the historian Michelet, of the feelings of a peasant

proprietor towards his land

' If we would know the inmost thought, the passion of the French peasant, it is very casy Let us walk out on Sunday into the country and follow him Behold him yonder, walking in front of us It is two o clock, his wife is at vespers he has on his Sunday clothes I perceive that he is going to visit his mistress.

"What mistress? His land

"I do not say he goes straight to it. No he is free to-day, and may either go or not. Does he not go every day in the week? Accord ingly, he turns aside, he goes another way he has business elsewhere And yet—he goes.

"It is true he was passing close by; it was an opportunity He looks, but apparently he will not go in what for? And yet—he

"At least it is probable that he will not work; he is in his Sunday dress; he has a clean shirt and blouse Still there is no harm in plucking up this weed and throwing out that stone. There is a stump, too, which is in the way; but he has not his tools with him, he will do it to-morrow

"Then he folds his arms and gazes serious

We have seen, too, that it is not solely by superior exertion that the Flemish cultivators succeed in obtaining these brilliant results same motive which gives such inton sity to their industry, placed thom earlier in possession of an amount of agricultural knowledge not attained until much later in countries where agriculture was carried on solely by hired labour An equally high testi mony is borne by M de Lavergne* to the agricultural skill of the small proprietors, in those parts of France to which the petite culture is really "In the rich plains Flanders, on the banks of the Rhine, the Garonne, the Charente, the Rhone, all the practices which fertilize the land and increase the productiveness of labour are known to the very smallest cultivators, and practised by them, however considerable may be the advances which they require In their hands, abundant manures, collected at great cost, repair and incessantly in crease the fertility of the soil, in spite of the activity of cultivation races of cattle are superior, the crops Tobacco, flax, magnificent madder, beetroot, in some places, in others, the vine, the olive, the plum, the mulberry, only yield their abun dant treasures to a population of in dustrious labourers Is it not also to the petite culture that we are indebted for most of the garden produce ob-tained by dint of great outlay in the neighbourhood of Paris?"

Another aspect of peasant properties, in which it is essential that they should be considered, is that of an instrument of popular education Books and schooling are absolutely; necessary to education, but not all-f sufficient. The mental faculties will

and careful. He gives a long, a very long look, and seems lost in .hought. At last, if he thinks himself observed, if he sees a passer by, he moves slowly away Thirty paces off he stops, turns round, and casts on his land a last look sombre and profound, but to those who can see it, the look is full of passion, of heart, of devotion.' -The People, by J Michelet, Part i ch 1

Essay on the Rural Economy of England Scotland and Irsland, 3rd ed. p 127

exercised, and what gives more exer-The to them than the having a multitude of interests, none of which can be neglected, and which can be provided for only by varied efforts of will and intelligence? Some of the disparagers of small properties lay great stress on the cares and anxieties which beset the peasant proprietor of the Rhineland or Flanders It is precisely those cares and anxieties which tend to make him a superior being to an English day labourer It is, to be sure, rather abusing the privileges of fair argument to represent the condition of a day-labourer as not an anxious one I can conceive no circumstances in which he is free from anxiety, where there is a possibility of being out of employment, unless he has access to a profuse dispensation of parish pay, and no shame or reluctance in demanding it The day labourer has, in the existing state of society and popu lation, many of the anxieties which have not an invigorating effect on the mind, and none of those which have The position of the peasant proprietor From the of Flanders is the reverse anxiety which chills and paralysesthe uncertainty of having food to eat -few persons are more exempt requires as rare a concurrence of circumstances as the pointo failure combined with an universal bad harvest, to bring him within reach of that danger His anxieties are the ordinary vicissitudes of more and less, his cares are that he takes his fair share of the business of life, that he is a free buman being, and not perpetually a child, which seems to be the approved condition of the labouring classes according to the prevailing philanthropy He is no longer a being of a different order from the middle classes, he has pursuits and objects like those which occupy them, and give to their intellects the greatest part of such cultiva-If there is a tion as they receive first principle in intellectual education, it is this—that the discipline which does good to the mind is that in which the mind is active, not that in which dit is passive. The secret for develop-

be most developed where they are most | ing the faculties is to give them much to do, and much inducement to do at This detracts nothing from the importance, and even necessity, of other kinds of mental cultivation The pos ; session of property will not prevent the peasant from being coarse, selfish, and narrow-minded These things depend on other influences, and other kinds of instruction But this great stimulus to one kind of mental activity, in no way impedes any other means of intellectual development. On the contrary, by cultivating the habit of turning to practical use every frag ment of knowledge acquired, it helps to render that schooling and reading fruitful, which without some such auxiliary influence are in too many cases like seed thrown on a rock

> It is not on the intelligence alone that the situation of a peasant proprietor exercises an improving in fluence It is no less propitious to the moral virtues of prudence, temperance, and self-control Dai-labourers, where the Tabouring class mainly consists of them, are usually improvident, they spend carelessly to the full extent of their means and let the future shift This is so notorious, that for itself many persons strongly interested in the welfare of the labouring classes,\ hold it as a fixed opinion that an in crease of wages would do them little good, unless accompanied by at least a corresponding improvement in their tastes and habits The tendenc pensant proprietors, and of those who hope to become proprietors, is to the contrary extreme, to take even too much thought for the morrow They are oftener accused of penuriousness than of prodigulity They deny them selves reasonable indulgences, and live wretchedly in order to economize Switzerland almost everybody saves, who has any means of saving, the case of the Flemish farmers has been already noticed among the French, though a pleasure-loving and reputed to be a self indulgent people, the spirit of thrift is diffused through the rural population in a manner most gratifying as a whole, and which in individual

instances errs rather on the side of ex Among those who, cess than defect from the hovels in which they live, and the herbs and roots which constitute their diet, are mistaken by travellers for proofs and specimens of general indigence, there are numbers who have hoards in leathern bags, consisting of sums in five franc pieces, which they keep by them perhaps for a whole generation, unless brought out to be expended in their most cherished gratification the purchase of land If there is a moral inconvenience attached to a state of society in which the peasantry have land, it is the danger of their being too careful of their pecuniary concerns, of its making them crafty, and "calculating" in the objectionable The French peasant is no simple countryman, no downright "peasant of the Danube " both in fact and in fiction he is now "the crafty peasant." That is the stage which he has reached in the progressive development which the constitu tion of things has imposed on human intelligence and human emancipation But some excess in this direction is a small and a passing evil compared with recklessness and improvidence in the labouring classes, and a cheap price to pay for the mestimable worth of the virtue of self-dependence, as the gene ral characteristic of a people a virtue which is one of the first conditions of excellence in a human character—the stock on which if the other virtues are not grafted, they have seldom any firm root, a quality indispensable in the case of a labouring class, even to any tolerable degree of physical comfort, and by which the peasantry of France, and of most European countries of peasant proprietors, are distinguished beyond any other labouring population

S 4 Is it likely, that a state of economical relations so conducive to fra gality and prudence in every other respect, should be prejudicial to it in the cardinal point of increase of population? That it is so, is the opinion expressed by most of those English political economists who have written anything about the matter Mr. *See the celebrated fable of La Foutaine.

M'Culloch's opinion is well known Mr Jones affirms. * that a "peasant population, raising their own wages from the soil and consuming them in kind, are universally acted upon very feebly by internal checks, or by motives disposing them to restraint The consequence is, that unless some ex ternal cause, quite independent of their will, forces such peasant cultivators to slacken their rate of increase, they will, in a limited territory, very rapidly approach a state of want and penury, and will be stopped at last only by the physical impossibility of procuring subsistence" He elsewhere + speaks of such a peasantry as "exactly in the condition in which the animal disposition to increase their numbers is checked by the fewest of those ba; lancing motives and desires which, regulate the increase of superior ranks civilized people" more peculiarity" Mr "causes of this Jones promised to point out in a subsequent work, which never made its appearance I am totally unable to conjecture from what theory of human nature, and of the motives which influence human conduct, he would have derived them Arthur Young assumes the same "peculiarity" as a fact, but, though not much in the habit of qualifying his opinions, he does not push his doctrine to so violent an extreme as Mr Jones, having, as we have seen, himself testified to various ınstances ın which peasant populations, such as Mr Jones speaks of, were not tending to "a state of want and peniny," and were in no danger whatever of coming in contact with "phymeal impossibility of procuring subsistence

That there should be discrepancy of experience on this matter, is easily to be accounted for Whether the labouring people live by land or by wages they have always in their oun triplied up to the limit set by their habitual standard of comfort When that standard was low, not exceeding a scanty subsistence, the size of properties, as well as the rate of wages,

^{*} Essay on the Distribution of Wealth
p 146
† Ibld, p 68.

has been kept down to what would burely support life Extremely low ideas of what is necessary for subaistence, are perfectly compatible with peasant properties, and if a people have always been used to poverty, and habit has reconciled them to it, there will be over population, and excessive subdivision of land But this is not to the purpose. The true question is supposing a peasantry to possess land not insufficient but sufficient for their coinfortable support, are they more, or less, likely to tall from this state of comfort through improvident multiplication, than if they were living an an equally comfortable manner as hired labourers? All a priori con siderations are in favour of their being less likely The dependence of wages on population is a matter of specu lation and discussion That wages would fall if population were much increased is often a matter of real doubt, and always a thing which requires some exercise of the thinking faculty for its intelligent recognition every peasant can satisfy himself from evidence which he can fully approcrate, whether his piece of hind can be made to support several families in the same comfort in which it supports one Few people like to leave to their children a worse lot in life than their The parent who has land to Icave, is perfectly able to judge whether the children can live upon it or not but people who are supported by nages, see no reason why their sons should be unable to support themselves in the same way, and trust accordingly 'In even the most useful to chance and necessary arts and manufactures," says Mr Laing,* "the demand for labourers is not a seen, known, steady, and appreciable demand but it is so in husbandry," under small proporties "The labour to be done, the subsistence that labour will produce out of his portion of land, are seen and known elements in a man's calculation upon his means of subsistence Can his square of land, or can it not, subjist a family? Can be marry or not? are questions which every man can answer without delay, doubt, or speculation

* Notes of a Traveller, p 46.

It is the depending on chance, where judgment has nothing clearly set before it, that causes reckless, improvident marriages in the lower, as in the higher classes, and produces among us the evils of over population, and chance necessarily enters into every man's calculations, when certainty is removed altogether, as it is, where certain subsistence is, by our distribution of property, the lot of but a small portion instead of about two-thirds of the people"

There never has been a writer more keenly sensible of the evils brought upon the labouring classes by excess of population, than Sismondi and this is one of the grounds of his carnest ndvocacy of peasar properties had ample opportunity, in more countries than one, for judging of their effect on population. Let us see his "In the countries in which testimony cultivation by small proprietors still/ continues, population increases regu larly and rapidly until it has attained its natural limits, that is to say, inheritances continue to be divided and subivided among several sons, as long as, by an increase of labour, each family can extract an equal income from a smaller portion of land. father who possessed a vast extent of natural pasture, divides it among his sons, and they turn it into fields and meadows, his sons divide it among their sons, who abolish fallows each unprovement in agricultural knowledge admits of another step in the sub-division of property. But there is no danger lest the proprietor should bring ap his children to make beggars of He knows exactly what inheritance he has to leave them, he knows that the law will divide it equally among them ho sees the limit beyond which this division would make them descend from the rank; which he has himself filled, and a just i family pride, common to the peasant. and to the nobleman, makes him abstain from summoning into life children for whom he cannot properly provide If more are born, at least they do not marry, or they agree among themselves. which of several brothers shall per petuate the family It is not found

that in the Swiss (antons the patrimonies of the peasants are ever so divided as to reduce them below an honourable competence, though the habit of foreign service, by opening to the children a career indefinite and much ulable, sometimes calls forth a superabundant population "*

There is similar testimony respect ing Norway I hough there is no law or custom of primogeniture, and no manu'actures to take off a surplus population, the subdivision of property is not carried to an injurious extent "The division of the land among children," says Mr Laing,† "appears not, during the thousand years it has been in operation, to have had the seffect of reducer, the landed properties to the minimum size that will barely support human existence have counted from five and twenty to forty cows upon farms, and that in a country in which the farmer must, for at least seven months in the year, have writer provender and houses provided for all the cattle It is evident that some cause or other, operating on aggregation of landed property, coun teracts the dividing effects of partition among children That cause can be no other than what I have long con jectured would be effective in such a social arrangement, viz that in a country where land is held, not in tenan y merely, as in Ireland, but in full ownership, its aggregation by the deaths of co-heirs, and by the marriages of the female heirs among the body of landholders will barance its subdivision by the equal succession of children The whole mass of property will, I conceive, be found in such a state of society to consist of as many estates of the class of 1000l., as many of 1001, as many of 101, a year, at one period as at another. That this should happen, supposes diffused through society a very efficacious prudential check to population and it is reasonable to give part of the credit of this prudential restraint to the pecuhar adaptation of the peasant-proprieary system for fostering it.

"In some parts of Switzerland," says Mr Kay," "as in the canton of Argovie for instance, a peasant never marries before he attains the age of twenty five years, and generally much later in life, and in that canton the women very seldom marry before they have attained the age of thirty Nor do the division of land and the cheapness of the mode of conveying it from one man to another, encourage the providence of the labourers of the rural districts only They act in the same manner, though perhaps in a less degree, upon the labourers of the smaller towns In the smaller provincial towns it is customary for a labourer to own a small plot of ground This plot he culoutside the town tivates in the evening as his kitchen He raises in it vegetables and fruits for the use of his family After his day's during the winter work is over, he and his family repair to the garden for a short time, which they spend in planting, sowing, weed ing, or preparing for sowing, a harvest, according to the season The desire to become possessed of one of these gardens operates very strongly in strongthoning prudential habits and in restraining improvident marriages Some of the manufacturers in the canton of Argovie told me that a townsman was seldom contented until he had bought a garden, or a garden and house, and that the town labourers generally deferred their marriages for some years, in order to save enough to purchase either one or both of these luxuries '

The same writer shows by statistical evidence; that in Prussia the average age of marriage is not only much later than in England, but "is gradually becoming later than it was formerly," while at the same time "fewer illegit! in ite children are born in Prussia that in any other of the European countries." "Wherever I travelled," says Mr Kay,t "in North Germany and Switzerland, I was assured by all that the desire to obtain land, which was felt by all the possants, was accung as

^{*} Nonvenux Principes Book iii 2h 5 † Randence in Norway p 18.

undue increase of population "*

Flanders, according to Fauche, the British Consul at Ostend,+ " farmer's sons and those who have the means to become farmers will delay their marriage until they get posses sion of a farm" Once a farmer, the next object is to become a proprietor "The first thing a Dane does with his savings,' says Mr Browne, the Consul at Copenhagen, 1 "18 to purchase a clock, then a horse and cow, which he hires out, and which pays a good Then his ambition is to become a petty proprietor, and this class of persons is better off than any in Demmark Indeed, I know of no people in any country who have more easily within their reach all that is really necessary for life than this class, which is very large in comparison with that of labourers "

But the experience which most decidedly contradicts the asserted tendency of peasant proprietorship to produce excess of population, is the case of France. In that country the experiment is not tried in the most favourable circumstances, a large proportion of the properties being too small. The number of landed proprictors in France is not exactly ascertained, but on no estimate does it fall much short of five millions, which, on the lowest calculation of the number of persons of a family (and for France

* The Prus ian minister of statistics, in a work (Condition of the People in Prusia) which I am obliged to quote at second hand from Mr Kay, after proving by figures the great and progressive increase of the consumption of food and clothing per head of the population from which he justly infers a corresponding increase of the pro-ductiveness of agriculture, continues: "The division of estates has, since 1831, proceeded more and more throughout the country There are now many more small independent proprietors than formerly let, however many complaints of pauperism are heard among the dependent labourers, we never hear it complained that pauperism is in creasing among the peasant proprietors "-Kay, L 262 6.

† In a communication to the Commission ers of Poor Law Enquiry, p 640 of their Foreign Communications, Appendix F to their First Report 1 Ibid. 269

the strongest possible check upon 1 it ought to be a low calculation), shows much more than half the population as either possessing, or entitled to in herit, landed property A majority of the properties are so small as not to afford a subsistence to the proprietors, of whom, according to some compu tations, as many as three millions are/ obliged to eke out their means of sup! port either by working for hire, or by taking additional land, generally on When the property metayer tenure possessed is not sufficient to relieve the possessor from dependence on wages, the condition of a proprietor loses much of its characteristic efficacy as a check to over population the prediction so often made in Eng land had been realized, and France had become a "pauper warren," the experiment would have proved nothing against the tendencies of the same system of agricultural economy in other circumstances But what is the fact? That the rate of increase of the French population is the slowest During the generation in Europe which the Revolution raised from the extreme of hopeless wretchedness to sudden abundance, a great morease of population took place. But a generation has grown up, which, having been born in improved circumstances, has not learnt to be miserable, and upon them the spirit of thrift operates most conspicuously, in keeping the increase of population within the increase of national wealth In a table, drawn up by Professor Rau.* of the

> * The following is the table (see p 168 of the Belgian translation of Mr Raus large

WULKJ	_	
		cent.
United States	1820-30	2 92
Hungary (according	g to Rohrer)	2 40
England	1811 21	1 78
	1921-31	1 60
Austria (Rohrer)		1 30
Prussia	1816-27	1 54
	1820-30	1 3'
•	1821-31	1 27
Netherlands	1821 29	1 23
Scotland	1821 31	1 30
Saxony	1815-30	1 15
Baden	1820 30 (Heunisch)	1 13
Bayaria	1814-28	1.08
Naples	1814-24	0.83
France	1817 27 (Mathieu)	0.63
	(Moreau le Jonnès)	0.55
Rut the numb	er civen by Mores	n de

rate of annual increase of the populations of various countries, that of France, from 1817 to 1827, is stated at \$\frac{170}{170}\$ per cent, that of England during a similar decennial period being \$1\frac{16}{170}\$ annually, and that of the United States nearly 3 According to the official returns as analyzed by M Legoyt,* the increase of the population, which from 1801 to 1806 was at the rate of 128 per cent annually, averaged only 047 per cent from 1806 to 1831, from 1831 to 1836 it averaged 0 60 per cent, from 1836 to 1841, 041 per cent, and from 1841 to 1846, 068 per

Jonnès, he adds, is not entitled to implicit confidence

The following table given by M. Quetelet (On Man and the Development of his Faculties vol. i. ch. 7), also on the authority of Rau, contains additional matter and differs in some items from the preceding probably from the author's having taken, in those cases an average of different years:

	Per cent
Ireland	2 45
Hungary	2 40
Spain	1.66
Lngland	1 65
Rhenish Prussia	1 33
Austria	1 30
Bavaria	1 08
Netherlands	0 94
Naples	0.83
France	0 03
Sweden	0 58
Lombardy	0 45

A very carefully prepared statement, by M Legoyt in the Journal des Economistes for May 1817 which brings up the results for France to the census of the pre-

cent† At the censas of 1851 the rate of annual increase shown was only 108 per cent in the five years or 021 annually, and at the census of 1856 only 071 per cent in five years, or 014 annually, so, that, in the words of M de Lavergne, "population has almost ceased to increase in France" Even this slow increase is wholly the effect of a diminution of deaths, the number of births not increasing at all, while the proportion of the births to the population is constantly diminishing § This slow growth of the numbers of the people, while

ceding year 1846, is summed up in the fol lowing table

towing twois			
	According to the census	According to the excess of births over deaths.	
	Per cent.	Per cent	
Sweden .	0 83	1 14	
Norway	1 86	1 30	
Denmark		0-95	
Russia		0 61	
Austria	0 85	0.90	
Prussia	1 84	1 18	
Saxony ,	1.45	0 90	
Hanover	1	0.85	
Bavaria]	0.71	
Wurtemberg	0 01	1 00	
Holland	0 90	1 03	
Belgium .		0 76	
Sardinia	1 08		
Great Britain (ex clusive of Ireland)	} 1 95	1 00	
France	0.68	0.50	
United States	3 27		

* Journal des Economistes for March and May 1847

† M Legovt is of opinion that the population was understated in 1841 and the increase between that time and 1846 consequently overstated, and that the real increase during the whole period was comething intermediate between the last two averages, or not much more than one in two hundred

t Journal des Economistes for February 1847 In the Journal for January 1865, M. Leavyt gives some of the numbers slightly altered, and, I presume, corrected. The series of percentages is 1 28, 0 31, 0 69 0 00, 0 1, 0 68 0 22 and 0 20 The last census that of 1861 shows a slight reaction, the percentage, independently of the newly acquired departments, being 0 32

§ The following are the numbers given by M. Legoyt :

From 1824 to 1823 annual number of births 991,914, being 1 in 32 30 of the population.

, 1829 to 1833 , 965 444 1 in 34 00 , 1834 to 1839 , 972,993 , 1 in 34 39 , 1839 to 1843 , 970,617 1 in 35 27 , 1844 & 1845 , 933,573 , 1 in 35 58 ,

In the last two years the births, according to M. Legovt, were swelled by the effects of according to the limited form of the distinct of births, he observes, "walle there is a constant, though not a rapid increase both of population and/of marriages, can only be attributed to the progress of prudence and forethought in families. It was a foreseen consequence of our civil and social institutions, which, producing a daily increasing subdivision of fortunes,

capital increases much more rapidly, has caused a noticeable improvement in the condition of the labouring class The circumstances of that portion of the class who are landed proprietors are not easily ascertained with precision, being of course extremely varibut the mere labourers, who derived no direct benefit from the changes in landed property which took place at the Revolution, have unquestionably much improved in condition since that period * Dr Rau testifies

both landed and moveable, call forth in our people the instincts of conservation and of comfort

In four departments, among which are two of the most thriving in Normandy, the deaths even then exceeded the births. The census of 1856 exhibits the remarkable fact of a positive diminution in the population of 54 out of the 86 departments A significant comment on the pauper warren See M de Lavergue's analysis of

the returns.

"The classes of our population which have only wages, and are therefore the most exposed to indigence, are now (1846) much better provided with the necessaries of food, lodging, and clothing than they were at the beginning of the century This may be beginning of the century This may be proved by the testimony of all persons who can remember the earlier of the two periods Were there any doubts on the tompared subject, they might easily be dissipated by consulting old cultivators and workmen, as I have myself done in various localities, with out meeting with a single contrary testimony, we may also appeal to the facts collected by an accurate observer, M Villermé, in his an accurate observer, in vinerine, in his Picture of the Moral and Physical Condition of the Working Classes, book ii, ch 1" (Researches on the Causes of Indigence, by A. Llément, pp 84 5) The same writer speaks (p 118) of 'the considerable rise which has taken place since 1789 in the wages of agricultural day labourers,' and adds the following evidence of a higher standard of habitual requirements, even in that portion of the town population, the state of which is usually represented as most deplorable ' In the last fifteen or twenty years a con siderable change has taken place in the habits of the operatives in our manufacturing towns: they now expend much more than for merly on clothing and ornament. classes of workpeople, such as the canuts of Lyons," (according to all representations, liketheir counterpart, our handloom weavers, the very worst paid class of artizans,) "no longer show themselves, as they did formerly, covered with filthy rags " (Page 161)

The preceding statements were given in former editions of this work, being the best to which I had at the time access, but evi dence, both of a more recent, and of a more minute and precise character, will now be to a similar fact in the case of another country in which the subdivision of the land is probably excessive, the Palatinata #

I am not aware of a single authentic ! instance which supports the assertion that rapid multiptication is promoted; by peasant properties Instances may undoubtedly be cited of its not being prevented by them, and one of the principal of these is Belgium, the prospects of which, in respect to popu lation, are at present a matter of con

found in the important work of M. Leoi ex de Lavergne, Rural Economy of France anne According to that painstaking, well informed, and most impartial enquirer, the average daily wages of a French labour, have risen, since the commencement of the Revolution, in the ratio of 19 to 30, while, owing to the more constant employment, the total carnings have increased in a still greater ratio, not short of double. The following are the statements of M de Lavergne (2nd

ed p 57)
"At thur Young estimates at 19 sous [9]d. the average of a day's wages, which must now be about 1 franc 50 centimes [1s 3d], and this increase only represents a part of the improvement Though the rural popu lation has remained about the same in num bers, the addition made to the population since 1789 having centred in the towns, the number of actual working days has increased, first because the duration of life having augmented, the number of able bodied men is greater, and next, because labour is better organized, partly through the suppression of several festival holidays, partly by the mere offect of a more active demand. When we take into account the increased number of his working days, the annual receipts of the rural workman must have doubled augmentation of wages answers to at least an equal augmentation of comforts, since the prices of the chief necessaries of life have changed but little, and those of manufactured, for example of woven, articles, have materially diminished The lodging of the labourers has also improved, if not in all, at least in most of our provinces"

M de Lavergne s estimate of the average amount of a day a wages is grounded on a careful comparison, in this and all other economical points of view, of all the different provinces of France,

* In his little book on the Agriculture of the Palatinate, already cited. He says that the daily wages of labour, which during the last years of the war were unusually high, and so continued until 1817, afterwards sank to a lower money-rate, but that the prices of many commodities having fallen in a still greater proportion, the condition of the peo-ple was unequivocally improved. The food given to farm labourers by their employers has also greatly improved in quantity and

siderable uncertainty Belgium has the most rapidly increasing population on the Continent, and when the circumstances of the country require, as they must soon do, that this rapidity should be checked, there will be a con siderable strength of existing habit to One of the un be broken through favourable circumstances is the great power possessed over the minds of the people by the Catholic priesthood, whose influence is everywhere strongly exerted against restraining population. As yet, however, it must be remem bered that the indefatigable industry and great agricultural skill of the people have rendered the existing rapidity of increase practically innocuous, the great number of large estates still undivided affording by their gradual dismemberment, a resource for the necessary augmentation of the oss produce, and there are, besides, any large manufacturing towns, and ming and coal districts, which attract d employ a considerable portion of e annual increase of population.

§ 5 But even where peasant proprities are accompanied by an excess numbers, this evil is not necessarily tended with the additional econocial disadvantage of too great a subvision of the land. It does not follow scause lauded property is minutely wided, that farms will be so Asinge properties are perfectly comatible with small farms, so are small roperties with farms of an adequate ze, and a subdivision of occupancy is of an inevitable consequence of even ndue multiplication among peasant

uality "It is now considerably better than bout forty years ago when the poorer class busined less flesh meat and puddings, and o cheese, butter, and the like (p. 20) Such an increase of wages" (adds the Prosor) "which must be estimated not in ioney, but in the quantity of necessaries and conveniences which the labourer is enalled to procure is, by universal admission, a coof that the mass of capital must have increased." It proves not only this, but also at the labouring population has not increased in an equal degree; and that, in this stance as well as in France, the division of 10 land, even when excessive, has been impatible with a strengthening of the pru antial checks to population

As might be expected proprietors from their admirable intelligence in things relating to their occupation, the Flemish peasantry have long learnt "The habit of not divid this lesson ing properties," says Dr Rau,* "and't the opinion that this is advantageous, have been so completely preserved in Flanders, that even now, when peasant dies leaving several children,f they do not think of dividing his patrimony, though it be neither en tailed nor settled in trust, they prefer selling it entire, and sharing the proceeds, considering it as a jewel which loses its value when it is divided" That the same feeling must prevail widely even in France, is shown by the great frequency of sales of land, amounting in ten years to a fourth port of the whole soil of the country, and M Passy, in his tract "On the Changes in the Agricultural Condition of the Department of the Eure since the year 1800,"+ states other facts tending to the same conclusion. "The example," says he, " of this department attests that there does not exist, as some writers have imagined, between the distribution of property and that of cultivation, a connexion which tends invincibly to assimilate them portion of it have changes of owner ship had a perceptible influence on the size of holdings While, in dis tricts of small farming, lands belonging to the same owner are ordinarily distributed among many tenants, so neither is it uncommon, in places where the grande culture provails, for the same farmer to rent the lands of several proprietors In the plans of Vexin, in particular, many active and rich cultivators do not content themselves with a single farm, others add to the lands of their principal holding, all those in the neighbourhood which

* Page 33i of the Brussels translation Ho cites as an authority, Schwerz, Papers on Agriculture, i 185

Tone of the many important papers which have appeared in the Journal des Economistes, the organ of the principal political economists of Frances, and doing great and increasing honour to their knowledge and ability M Passy sessay has been reprinted separately as a pamphlet.

they are able to hire, and in this manner make up a total extent which in some cases reaches or exceeds two hundred hectares" (five hundred English acres) "The more the estates are dismembered, the more frequent do this sort of arrangements become, and as they conduce to the interest of all concerned, it is probable that time will confirm them"

"In some places," says M de Lavergne,* "in the neighbourhood of . Pans, for example, where the advantages of the grande culture become evident, the size of farms tends to in crease, several farms are thrown together into one, and farmers enlarge their holdings by renting parcelles from a number of different proprietors Elsewhere farms as well as properties of too great extent, tend to division Cultivation spontaneously finds out the organization which suits it best" It is a striking fact, stated by the same eminent writer, + that the departments which have the greatest number of small separate accounts with the taxcollector, are the Nord, the Somme, the Pas de Calais, the Seine Inferieure, the Aisne, and the Oise, all of them among the richest and best cultivated, and the first mentioned of them the very richest and best cultivated, in France

Undue subdivision, and excessive smallness of holdings, are undoubtedly a prevalent evil in some countries of peasant proprietors, and particularly in parts of Germany and France The governments of Bavaria and Nassau have thought it necessary to impose a legal limit to subdivision, and the Prussian Government unsuccessfully proposed the same measure to the Estates of its Rhenish Provinces But I do not think it will anywhere be found that the petite culture is the system of the peasants, and the grande culture that of the great landlords

* Rural Economy of France, p 455 † P 117 See, for facts of a similar ten dency, pp 141, 250 and other passages of the same important treatise, which, on the other hand, equally abounds with evidence of the mischlerous effect of subdivision when too minute, or when the nature of the soil and of its products is not suitable tr it. on the contrary, wherever the small properties are divided among too many proprietors, I believe it to be true that the large properties also are par celled out among too many farmers, and that the cause is the same in both cases, a backward state of capital, skill, and agricultural enterprise There is reason to believe that the subdivision in France is not more excessive than is accounted for by this cause, that it is diminishing, not increasing, and that the terror expressed in some quarters at the progress of the morcellement, is one of the most ground less of real or pretended panics.*

If peasant properties have any effect in promoting subdivision beyond the degree which corresponds to the agn!

* Mr Laing, in his latest publication, "Observations on the Social and Political State of the European People in 1849 and 1849" a book devoted to the glorification of England, and the disparagement of every thing elsewhere which others, or even he himself in former works, had thought worthy of praise, argues that "although the land itself is not divided and subdivided on the death of the proprietor, "the value of the land is, and with effects almost as prejudicial to social progress The value of each share becomes a debt or burden upon the land," Consequently the condition of the agricul tural population is retrograde "each generation is worse off than the preceding one, although the land is neither less nor more divided, nor worse cultivated. And this he gives as the explanation of the great indebted-ness of the small landed proprietors in Franco (pp 979) If these statements were correct, they would invalidate all which Mr Laing affirmed so positively in other writings, and repeats in this, respecting the peculiar efficacy of the possession of land in pre venting over population But he is entirely mistaken as to the matter of fact. In the only country of which he speaks from actual residence, Norway, he does not pretend that the condition of the peasant proprietors is deteriorating. The facts already cited prove that in respect to Belgium, Germany, and Switzerland, the assertion is equally wide of the mark; and what has been shown re specting the slow increase of population in France, demonstrates that if the condition of the French peasantry was deteriorating, it could not be from the cause supposed by The truth I believe to be that in every country without exception, in which peasant properties prevail, the condition of the people is improving, the produce of the land and even its fertility increasing, and from the larger surplus which remains after feeding the agricultural classes the towns are augmenting both in population and in the well being of their inhabitants.

, cultural practices of the country, and which is customary on its large estates, the cause must be in one of the salu tary influences of the system, the eminent degree in which it promotes providence on the part of those who, not being yet peasant proprietors, hope In England, where the to become so agricultural labourer has no investment for his savings but the savings bank, and no position to which he can rise by any exercise of economy, except per haps that of a petty shopkeeper, with its chances of bankrupter, there is nothing at all resembling the intense spirit of thrift which takes possession of one who, from being a day labourer, can raise himself by saving to the condition of a landed proprietor According to almost all authorities, the real cause of the morcellement is the higher price which can be obtained for land by elling it to the peasantry, as an in stment for their small accumulations. than by disposing of it entire to some nch purchaser who has no object but to live on its income without improving The hope of obtaining such an investment is the most powerful of in ducements, to those who are without land, to practise the industry, fru gality, and self restraint, on which their success in this object of ambition is dependent.

As the result of this enquiry into the direct operation and indirect in fluences of peasant properties, I con ceive it to be established, that there is no necessary connexion between this form of landed property and an im perfect state of the arts of production, that it is favourable in quite as many respects as it is unfavourable, to the most effective use of the powers of the soil, that no other existing state of agricultural economy has so beneficial an effect on the industry, the intelli gence, the frugality, and prudence of the population, nor tends on the whole so much to discourage an improvident increase of their numbers, and that no existing state, therefore, is on the whole so favourable, both to their

moral and their physical welfare Compared with the English system of cultivation by lired labour, it must be regarded as eminently beneficial to the labouring class. We are not on the present occasion called upon to compare it with the joint ownership of the land by associations of labourers.

* French history strikingly confirms these conclusions. Three times during the course of ages the peasantry have been purchasers of land, and these times immediately preceded the three principal eras of French accomplished presents.

agricultural prosperity

"In the worst times," save the historian Michelet (The People, Part 1 ch 1) "the times of universal poverty, when even the rich are poor and obliced to sell, the poor are enabled to buy; no other purchaser presenting himself the pealant in rags arrives with his piece of gold, and acquires a little bit of land. These moments of disaster in which the peasant was able to buy land at s low price, have always been followed by a sudden gush of prosperity which people could not account for Towards 1500, for example when France, exhausted by Louis XI, seemed to be completing its ruinin Italy the noblesse who went to the wars were obliged to sell: the land, passing into new hands, suddenly began to flourish men began to labour and to build This happy moment, in the style of courtly historians, was called the good Louis XII

"Unbappily it did not last long. Scarcely

'Unhappily it did not last long. Scarcely had the land recovered itself when the tax collector fell upon it; the wars of religion followed, and seemed to rase everything to the ground; with horrible miseries dreadful famines, in which mothers devoured their children. Who would believe that the country recovered from this? Scarcely is the war ended when from the derastated fields, and the cottages still black with the flames comes forth the hoard of the peasant. He buye in ten years, France wears a new face, in twenty or thirty, all possessions have doubled and trebled in value. This moment, again baptized by a roval name is called the good Henry IV and the great Richelieu."

Of the third era it is needless again to speak it was that of the Revolution

Whover would study the reverse of the picture, may compare these historic periods, characterized by the dismemberment of large and the construction of small properties, with the wide-spread national suffering which accompanied, and the permanent decrioration of the condition of the labouring dasses which followed, the "clearing away of small yeomen to make room for large grazing farms, which was the grand economical event of English history during the sixteenth century

CHAPTER VIII.

OF METAYERS.

From the case in which the produce of land and labour belongs andividedly to the labourer, we proceed ito the cases in which it is divided, but between two classes only, the labourers and the landowners, the character of capitalists merging in the one or the other, as the case may be It 18 possible indeed to conceive that there might be only two classes of persons to share the produce, and that a class of capitalists might be one of them. the character of labourer and that of flandowner being united to form the This might occur in two ways The labourers, though owning the land, might let it to a tenant, and work under him as bired servants. But this arrangement, even in the very rare cases which could give rise to it, would not require any particular discussion, since it would not differ in any material respect from the threefold system of labourers, capitalists, The other case is the and landlords not uncommon one, in which a peasant proprietor owns and cultivates the lland, but raises the little capital reby a mortgage upon guired. Neither does this case present any There is but important peculiarity one person, the peasant himself, who has any right or power of interference He pays a fixed in the management annuity as interest to a capitalist, as he pays another fixed sum in taxes to the government. Without dwelling further on these cases, we pass to those which present marked features of peculianty

When the two parties sharing in the produce are the labourer labourers and the landowner, it is not a very material circumstance in the case, which of the two furnishes the stock, or whether, as sometimes happens, they furnish it, in a determinate proportion, between them The essen --

but in another circumstance, namely, whether the division of the produce! between the two is regulated by custom or by competition. We will begin with the former case, of which the metayer culture is the principal, and in Europe almost the sole, example

The principle of the metayer system is that the labourer, or peasant, makes to his engagement directly with the land f owner, and pays, not a fixed rent,? either in money or in kind, but a cer-a tain proportion of the produce, or rather of what remains of the produce after deducting what is considered necessary to keep up the stock. The proportion is usually, as the name imports, one half, but in several districts in Italy it is two-thirds Respecting the supply of stock, the custom varies from place to place, in some places the landlord furnishes the whole, in others half, in others some particular part, as for instance the cattle and seed, the labourer providing the im "This connexion," says plements *

* In France, before the Revolution, according to Arthur Young (i 403) there was great local diversity in this respect. In Champagne "the landlord commonly finds half the cattle and half the seed, and the metayer, labour, implements, and taxes, but in some districts the landlord bears a share of these In Roussillon, the landlord pays half the taxes, and in Guienne, from Auch to Fleuran, many landlords pay all Near Aguillon, on the Garonne, the metayers furnish half the cattle At Nangis in the Isle of France, I met with an agreement for the landlord to furnish live stock, implements, harness, and taxes , the metayer found labour and his own capitation tax the landlord repaired the house and gates, the metayer the windows: the landlord provided seed the first year, the metayer the last in the intervening years they supply half and half. In the Bourbonnois the landlord finds all sorts of live stock, yet the metayer sells, changes, and buys at his will, the steward keeping an account of these mutations, for the land lord has half the product of sales, and pays half the purchases" In Piedmont, he says " the landlord commonly pays the taxes and repairs the buildings, and the tenant provider tial difference does not lie in this, | cattle, implements, and seed.' (II. 161)

Sismondi, speaking chiefly of Tus cany * "18 often the subject of a contract, to define certain services and certain occasional payments to which the metayer binds himself, nevertheless the differences in the obligations of one such contract and another are inconsiderable, usage governs alike all these engagements, and supplies the stipulations which have not been exand the landlord who atpresed tempted to depart from usage, who exacted more than his neighbour, who took for the basis of the agreement anything but the equal division of the crops, would render himself so odious, he would be so sure of not obtaining a metayer who was an honest man, that the contract of all the metayers may be considered as identical, at least in each province, and never gives rise to any competition among peasants in scarch of employment, or any offer to cultivate the soil on cheaper terms than one another " To the same effect Châteauvieux,† speaking of the me "They consider tayers of Piedmont. it" (the farm) "as a patrimony, and never think of renewing the lease, but lgo on from generation to generation, on the same terms, without writings or registries "t

When the partition of the produce is a matter of fixed usage, not of varying convention, political ecoinvestigate It has only to consider,

* Studies in Political Reconomy, Essay VI On the Condition of the Cultivators in Tus

t Letters from Italy I quote from Dr Righy's translation (p 22)

1 This virtual fixity of tenure is not how ever universal even in Italy; and it is to its sbrence that Sismondl attributes the inferior condition of the metayers in some provinces of Naples, in Lucca, and in the Riviera of Genca; where the landlords obtain a larger (though still a fixed) share of the produce In those countries the cultivation is eplendid, but the people wretchedly poor "The same colsfortune could probably have befallen the people of Tuscany if public opinion did not protect the cultivator; but a proprietor would not dare to impose conditions unusual in the country, and even in changing one metaver for another, he alters nothing in the terms of the engagement." New Principles of Political Economy, book ill. ch 5

as in the ease of peasant proprietors, the effects of the system, first, on the condition of the peasantry, morally and physically, and secondly, on the efficiency of the labour In both these particulars the metayer system has the characteristic advantages of peasant properties, but has them in a less del The metayer has less motive to exertion than the peasant proprietor, since only half the fruits of his indus try, instead of the whole, are his own But he has a much stronger motive than a day labourer, who has no other interest in the result than not to be dismissed. If the metaver cannot be turned out except for some violation of his contract, he has a stronger motive to exertion than any tenant-farmer The metayer is: who has not a lease at least his landlord's partner, and a half sharer in their joint gains Where, too, the permanence of his tenure is guaranteed by custom, he acquires local attachments, and much of the feelings of a proprietor I am supposing that this half produce is suffi-cient to yield him a comfortable Whether it is so, depends support (in any given state of agriculture) on the degree of subdivision of the land, which depends on the operation of the population principle A multiplication of people, beyond the number that can be properly supported on the land or taken off by manufactures, is incident even to a peasant proprietary, and of course not less but rather more incident to a metayer population The ten dency, however, which we noticed in the proprietary system, to promote prudence on this point, is in no small dogree common to it with the metayer system. There, also, it is a matter of casy and exact calculation whether a family can be supported or not is easy to see whether the owner of the whole produce can increase the production so as to maintain a greater number of persons equally well, it is a not less simple problem whether the owner of half the produce can do so *! Bastiat affirms that France, incontestably the least favourable

example of the metayer system its effect in repressing population is conspicuous.

"It is a well ascertained fact that the

There is one check which this system ! reems to offer, over and above those held out even by the proprietary system, there is a landlord, who may exert a controlling power, by refusing his consent to a subdivision I do not. however, attach great importance to this check, because the farm may be lorded with superfluous hands without being subdivided, and because, so long as the increase of hands increases the gross produce, which is almost always the case, the landlord, who receives half the produce, is an immediate gainer, the inconvenience falling only on the labourers The landlord is no doubt liable in the end to suffer from their poverty, by being forced to make advances to them, especially in bad seasons, and a foresight of this ulti mate inconvenience may operate bene ficially on such landlords as prefer future security to present profit.

The characteristic disadvantage of the metaver system is very fairly stated by Adam Smith. After pointing out that metayers "have a plain interest that the whole produce should be as great as possible, in order that their own proportion may be so," he continues,* "it could never, however, be the interest of this species of cultivators to lay out, in the further improvement of the land, any part of the little stock which they might save

tendency to excessive multiplication is chiefly manifested in the class who live on weges. Over these the forethought which retards marriages has little operation, because the evils which flow from excessive competition appear to them only very confusedly, and at a considerable distance. It is, therefore, the most advantageous condition of a people to be so organized as to contain no regular class of labourers for hire. In me taver countries, marriages are principally determined by the demands of cultivation they increase when, from whatever cause, the metairies offer vacancies injurious to production; they diminish when the places are filled up A fact easily ascertained, the proportion between the size of the farm and the number of hands, operates like forethought, and with greater effect. We find, accordingly that when nothing occurs to make an opening for a superfluous population, numbers remain stationary; as is seen in our southern departments." Considerations on Melay ige, in the Journal des Economistes for February 1846

7 Wealth of Nations book iil ch 3

from their own share of the produce because the lord, who laid out nothing was to get one half of whatever it The tithe, which is but a produced tenth of the produce, is found to be al very great hindrance to improvement? A tax, therefore, which amounted to: one-half, must have been an effectual, bar to it. It might be the interest of a metayer to make the land produce as much as could be brought out of it by means of the stock furnished by the proprietor, but it could never be his interest to mix any part of his own with it In France, where five parts out of six of the whole kingdom are said to be still occupied by this species of cultivators, the proprietors complain that their metayers take every oppor tunity of employing the master's cattle rather in carriage than in cultivation because in the one case they get the whole profits to themselves, in the other they share them with their landlord "

It is indeed implied in the very na ture of the tenure, that all improvements which require expenditure of capital, must be made with the capital of the landlord This, however, is essentially the case even in England, whenever the farmers are tenants-atwill or (if Arthur Young is right) even on a "nine years lease" landlord is willing to provide capital for improvements, the metayer has the strongest interest in promoting them, once half the benefit of them will ac crue to himself As however the per petuity of tenure which, in the case we are discussing, he enjoys by custom, renders his consent a necessary condition, the spirit of routine, and dislike of innovation, characteristic of an agricultural people when not corrected by education, are no doubt, as the advocates of the system seem to admit, a serious hindrance to improvement

§ 3 The metayer system has met with no mercy from English authorities "There is not one word to be said in favour of the practice," says Arthur Young, "and a thousand arguments that might be used against it. The hard plea of necessity car

* Travels, vol 1 pp. 404-5 ----

alone be urged in its favour, the poverty of the farmers being so great, that the landlord must stock the farm, or it could not be stocked at all this is a most cruel burthen to a proprietor, who is thus obliged to run much of the mazard of farming in the most dan gerous of all methods, that of trusting his property absolutely in the hands of people who are generally ignorant, many careless, and some undoubtedly In this most miserable of all the modes of letting land, the defrauded landlord receives a con temptible rent, the farmer is in the lowest state of poverty, the land is miserably cultivated, and the nation suffers as severely as the parties them Wherever* this system prevails, it may be taken for granted that a useless and miserable population Wherever the country · (that I saw) is poor and unwatered, - in the Milanese, it is in the hands of metayers" they are almost always debt to their landlord for seed food, and "their condition is more wretched than that of a day labourer There† are but few districts" (in Italy) "where lands are let to the occupying tenant at a money rent, but wherever it is found, their crops are greater, a clear proof of the imbecility of the metaying system" "Wherever it" (the metayer system) "has been adopted," says Mr M'Culloch, t "it has put a stop to all improvement, and has reduced the cultivators to the most abject poverty" Mr Jones & shares the common opinion, and quotes Turgot and Destutt-Tracy in support of it. The impression, however, of all these writers (notwith standing Arthur Young's occasional references to Italy) seems to be chiefly derived from France, and France before the Revolution | Now the mination of French metayers under the old regime

* Travels, vol ii 151 3 † Ibid ii 217

† Principles of Political Economy, 3rd ed. p 471

& Essay on the Dutribution of Wealth, pp 102-4

I M de Tracy is partially an exception inasmuch as his experience reaches lower down than the revolutionary period but he

by no means represents the typical It is essentially form of the contract to that form, that the proprietor pays all the taxes But in France the ex emption of the noblesse from direct taxation had led the Government to throw the whole burthen of their ever increasing fiscal exactions upon the occupiers and it is to these exactions that Turgot ascribed the extreme of the metayers wretchedness wretchedness in some cases so excessive, that in Limousin and Angou mois (the provinces which he admi nistered) they had seldom more, according to him, after deducting all burthens, than from twenty five to thirty livres (20 to 24 shillings) per head for their whole annual consump-"I do not mean in money, but including all that they consume in kind from their own crops "# we add that they had not the virtual fixity of tenure of the metayers of Italy, ("in Limousin," says Arthur Young,† "the metayers are considered as little better than menial servants, removable at pleasure, and obliged to conform in all things to the will of the landlords.") admits (as Mr Jones has himself stated in another place) that he is acquainted only with a limited district, of great subdivision

and unfertile soil M Passy is of opinion that a French pea santry must be in indigence and the country badly cultivated on a metayer system because the proportion of the produce claim able by the landlord is too high; it being only in more favourable climates that any land, not of the most exuberant fertility can pay half its gross produce in rent, and leave enough to peasant farmers to enable them to grow successfully the more expensive and valuable products of agriculture (On Systems of Culture, p 35.) This is an objection only to a particular numerical pro-portion, which is indeed the common one,

but is not essential to the system

* See the "Memoir on the Surcharge of Taxes suffered by the Generality of Limoges. addressed to the Council of State in 1786, pp 260-304 of the fourth volume of Turgot's Works The occasional engagements of The occasional engagements of landlords (as mentioned by Arthur Young) to pay a part of the taxes, were according to Turgot, of recent origin, under the com-pulsion of actual necessity "The proprietor only consents to it when he can find no metayer on other terms, consequently even in that case the metayer is always reduced to what is barely sufficient to prevent him from dying of hunger "(p 275),
† Vol. i p 404.

It is evident that their case affords no argument against the metayer system in its better form. A population who could call nothing their own—who, like the Irish cottiers, could not in any contingency be worse off—had nothing to restrain them from multiplying, and subdividing the land, until stopped by sectual stargation.

actual starvation ir We shall find a very different pie-Lure, by the most accurate authorities, of the metayer cultivation of Italy the first place, as to subdivision Lombardy, according to Châteauvieux*, there are few farms which exceed sixty acres, and few which have less than ten "These farms are all occupied by metay ers at half profit They invariably dis play "an extent+ and a richness in build ings rarely known in any other country in Europe" Their plan "affords the greatest room with the least extent of building, is best adapted to arrange and secure the crop, and 18, at the same time, the most economical, and the least exposed to accidents by fire " The court-yard "exhibits a whole so regular and commodious, and a system of such care and good order, that our dirty and ill arranged farms can con vey no adequate idea of" The same description applies to Piedmont protation of crops is excellent should think no country can bring so large a portion of its produce to market as Piedmont." Though the soil is not naturally very fertile, "the number of cities is prodigiously great." agriculture must, therefore, be eminently favourable to the net as well as to the gross produce of the land "Each plough works thirty-two acres Nothing can be in the season more perfect or neater than the hoeing and moulding up the maize, when in full growth, by a single plough, with a pair of oxen, without injury to a single plant, while all the weeds are effectually destroyed 'So much for "Nothing can be licka farmificarras o excellent as the crop which precedes and that which follows it i wheat "18 thrashed by a cylinder,

+ Ibid, pp 19 20 ‡ Ibid, pp 24-81

drawn by a horse, and guided by a boy, while the labourers turn over the straw with forks. This process lasts nearly a fortnight at it is quick and economical, and completely gets out the grain

In no part of the world are the economy and the management of the land better understood than in Piedmont, and this explains the phenomenon of its great population and immense export of provisions" All this under metayer cultivation

Of the valley of the Arno, in its whole extent, both above and below Florence, the same writer thus speaks ,* -"Forests of olive-trees covered the lower parts of the mountains, and by their foliage concealed an infinite number of small farms, which peopled these parts of the mountains chestnut-trees raised their heads on the higher slopes, their healthy verdure contrasting with the pale tint of the olive trees, and spreading a brightness over this amphitheatre The road was bordered on each side with villagehouses, not more than a hundred paces from each other They are placed at a little distance from the road, and separated from it by a wall, and a terrace of some feet in extent On the wall are commonly placed many vases of antique forms, in which flowers, aloes, and young orange-trees The house itself is com are growing plotely covered with vines

Before these houses we saw groups of peasant females dressed in white linen, silk corsets, and straw hats ornamented with flowers These houses being so near each other, it is evident that the land annexed to them must be small, and that property, in these valleys, must be very much divided, the extent of these domains being from three to ten acres The land hes round the houses, and is divided into fields by small canals, or rows of trees, some of which are mulberry trees, but the greatest number poplars, the leaves of which are eaten by the cattle Each tree supports a vine

These divisions, arrayed in oblong squares, are large enough to be cultivated by a plough without wheels

* Pp 78---8

^{*} Letters from Italy, translated by Rigby,

and a pair of oxen There is a pair of oxen between ten or twelve of the farmers, they employ them successively in the cultivation of all the farms

Almost every farm maintains a well looking horse, which goes in a small two-wheeled cart, neatly made, and painted red, they serve for all the purposes of draught for the farm, and and also to convey the farmer's daugh ters to mass and to balls. Thus, on holidays, hundreds of these little carts are seen flying in all directions, carrying the young women, decorated with flowers and ribbons."

This is not a picture of poverty, and so far as agriculture is concerned, it effectually redeems metayer cultiva tion, as existing in these countries. from the reproaches of English writers, but with respect to the condition of the cultivators, Châteauvieux's testi mony 18, in some points; not so favourable "It is neither the natural ferti lity of the soil, nor the abundance which strikes the eye of the traveller, which constitute the well-being of its Inhabitants It is the number of in dividuals among whom the total produce is divided, which fixes the portion that each is enabled to enjoy is very small. I have thus far, indeed, 'exhibited a delightful country, well watered, fertile, and covered with a perpetual vegetation, I have shown it divided into countless inclosures. which, like so many beds in a garden, display a thousand varying productions, I have shown, that to all these inclosures are attached well built houses, clothed with vines, and decorated with flowers, but, on entering them, we find a total want of all the conveniences of life, a table more than frugal, and a general appearance of privation" Is not Châteauvieux here unconsciously contrasting the condition of the metayers with that of the farmers of other countries, when the proper standard with which to compare it is that of the agricultural day labourers?

Arthur Young says,†" I was assured that these metayers are (especially near

* Pp 73—6 * Travels, vol. ii p 156, Florence) much at their ease, that on holidays they are dressed remarkably well, and not without objects of luxury, as silver, gold, and silk and live well, on plenty of bread, wine, and legumes. In some instances this may possibly be the case, but the general fact is con trary It is absurd to think that me, & tayers, upon such a farm as is cultheir ease, and a clear proof of their poverty is this, that the landlord, who provides half the live stock, is often obliged to lend the peasant money to The metaprocure his half yers, not in the vicinity of the city, are so poor, that landlords even lend them corn to eat their food is black bread, c made of a mixture with yetches, and their drink is very little wine, mixed with water, and called aquarolle, meat on Sundays only, their dress very ordinary" Mr Jones admits the superior comfort of the metayers near Florence, and attributes it partly to straw planting, by which the women of the peasantry can earn, according to Châteauvieux,* from fifteen to twenty But even this fact tells pence a day in favour of the metayer system, for in those parts of England in which

by a full equivalent. In spite of Châteauvieux's statement respecting the poverty of the metayers, his opinion, in respect to Italy at least, is given in favour of the "It occupies! and constantly interests the proprietors, which is never the case with great proprietors who lease their estates at fixed rents establishes a community of interests, and relations of kindness between the proprietors and the metayers, a kind ness which I have often witnessed, and from which result great advantages in the moral condition of society proprietor, under this system, always

either straw plaiting or lace making is

carried on by the women and children

of the labouring class, as in Bedford

shire and Buckinghamshire, the con

dition of the class is not better, but

rather worse than elsewhere, the wages

of agricultural labour being depressed

* Isliers from Italy, p 75. † Ibid, pp 295-6.

Interested in the success of the crop, never refuses to make an advance upon it, which the land promises to repay with interest It is by these advances, and by the hope thus inspired, that the rich proprietors of land have gradually perfected the whole rural economy of Italy to them that it owes the numerous systems of irrigation which water its soil, as also the establishment of the terrace culture on the hills gradual but permanent improvements, which common peasants, for want of means, could never have effected, and which could never have been accomplished by the farmers, nor by the great proprietors who let their estates at haed rents, because they are not sufficiently interested. Thus the interested system forms of itself that alliance between the rich proprietor, whose means provide for the improvement of the culture, and the metayer, whose care and labours are directed, by a common interest, to make the most of these advances"

But the testimony most favourable to the system is that of Sismondi, which has the advantage of being specific, and from accurate knowledge, his information being not that of a traveller, but that of a resident proprietor, intimately acquainted with rural life. His statements apply to Tuscany generally, and more particularly to the Val di Nievole, in which his own property lay, and which is not within the supposed privileged circle immediately round Florence is one of the districts in which the size of farms appears to be the smallest The following is his description of the dwellings and mode of life of the metayers of that district *

"The house, built of good walls with lime and mortar, has always at least one story, sometimes two, above the ground floor On the ground floor are generally the kitchen, a cowhouse for twohorned cattle, and the storehouse, which takes its name, tinaia, from the large vats (tini) in which the wine is put to ferment, without any pressing

* From his Sixth Essay, formerly referred to

it is there also that the metayer locks up his casks, his oil, and his grain Almost always there is also a shed supported against the house, where he can work under cover to mend his tools, or chop forage for his cattle On the first and second stories are two, three, and often four bedrooms largest and most arry of these 18 generally destined by the metayer, in the months of May and June, to the bringing up of silkworms chests to contain clothes and linen. and some wooden chairs, are the chief furniture of the chambers, but a newly-married wife always brings with her a wardrobe of walnut wood beds are uncurtained and unroofed, but on each of them, besides a good paillasse filled with the elastic straw of the maize plant, there are one or two mattresses of wool, or, among the poorest, of tow, a good blanket, sheets of strong hempen cloth, and on the best bed of the family a coverlet of silk padding, which is spread on festival days. The only fireplace is in the kitchen, and there also is the great wooden table where the family dines, and the benches, the great chest which serves at once for keeping the bread and other provisions, and for kneading, a tolerably complete though cheap assortment of pans, dishes, and earthenware plates—one or two metal lamps, a steelyard, and at least two copper pitchers for drawing and holding water The linen and the working clothes of the family have all been spun by the women of the house The clothes, both of men and of women, are of the stuff called mezza lana when thick, mola when thin, and made of a coarse thread of hemp or tow, filled up with cotton or wool, it is dried by the same women by whom it was spun would hardly be believed what a quantity of cloth and of mezza lana the peasant women are able to accumu late by assiduous industry, how many sheets there are in the store, what a number of shirts, jackets, trowsers, petticents, and gowns are possessed by every member of the family By way of example I add in a note the inventory of the peasant family best known

to me it is neither one of the richest nor of the poorest, and lives happily by its industry on half the produce of less than ten arpents of land * The young women had a marriage portion of fifty crowns, twenty paid down, and the rest by instalments of two every year. The Tuscan crown is worth six francs [4s 10d] The commonest marriage portion of a peasant girl in the other parts of Tuscany, where the metairies are larger, is 100 crowns, 600 francs."

Is this poverty, or consistent with When a common, M de poverty? Sismondi even says the common, marriage portion of a metayer's daughter 18 24l. English money, equivalent to at least 50l in Italy and in that rank of life, when one whose dowry is only half that amount, has the wardrobe described, which is represented by Sismondi as a fair average, the class must be fully comparable, in general condition, to a large proportion even of capitalist farmers in other countries, and incomparably above the day labourers of any country, except a new colony, or the United States little can be inferred, against such evidence, from a traveller's impression of the poor quality of their food. Its in expensive character may be rather the effect of economy than of necessity Costly feeding is not the favourite luxury of a southern people, their diet in all classes is principally vegetable, and no pessantry on the Continent has the superstition of the English labourer respecting white

 Inventory of the trousseau of Jane, daughter of Valente Papini, on hermarriage with Gloracchino Landi the 29th of April 1835, at Forta Vecchia, near Pescia.

"28 shifts 7 best dresses (of particular fabrics of silk), 7 dresses of printed cotton, 2 winter working dresses (mexza land), 3 summer working dresses and petticoats (mola), 3 white petticoats, 6 aprons of printed linen 1 of black silk, 1 of black merinos, 9 coloured working aprons (mola) 4 white, 8 coloured and 3 silk handkerchiefs, 2 em broidered veils and one of tulle 3 towels 14 pairs of stockings 2 hats (one of felt, the uther of fine straw) 2 cameos set in gold, 2 golden carrings, 1 chaplet with two Roman silver crowns, 1 coral necklace with its cross of gold. All the richer married women of the class have, besides, the reste di seta, the great holiday dress which they only wear four or five times in their lives"

But the nourishment of the bread. Tuscan peasants, according to Sismondi, "is wholesome and various its basis is an excellent wheaten bread, brown, but pure from bran and from all mixture" In the season, they take but two meals a day at ten in the morning they eat their pollenta, at the beginning of the night their soup, and after it bread with a relish of some sort In summer they have (companatico) three meals, at eight, at one, and in the evening, but the fire is lighted only once a day, for dinner, which consists of soup, and a dish of salt meat or dried fish, or haricots, or greens, which are eaten with bread. meat enters in a very small quantity into this diet, for it is reckoned that forty pounds of salt pork per head suffice amply for a year's provision, twice a week a small piece of it is put into the soup On Sundays they have always on the table a dish of fresh meat, but a piece which weighs only a pound or a pound and a half suffices for the whole family, however numerous it may be It must not be forgotten that the Tuscan pensants generally produce ohve oil for their own con sumption they use it not only for lamps, but as seasoning to all the vegetables prepared for the table, which it renders both more savoury and more nutritive At breakfast their food is bread, and sometimes cheese and fruit, at supper, bread and salad. Their drink is composed of the inferior wine of the country, the vinella or piquette made by fermenting in water the pressed skins of the grapes They always, however, reserve a little of their best wine for the day when they thresh their corn, and for some festivals which are kept in families About fifty bottles of vinella per annum, and five sacks of wheat (about 1000 pounds of bread) are considered as the supply necessary for a full grown man" The remarks of Sismondi on the

The remarks of Sismondi on the moral influences of this state of soll ciety are not less worthy of attention. The rights and obligations of the metayer being fixed by usage, and all taxes and rates being paid by the pro

prietor, "the metaser has the advan- I the inclination of the ground present i tages of lauded property without the burthen of defending it. It is the landlord to whom, with the land, bolong all its disputes the tenant lives in peace with all his neighbours, between him and them there is no motive for rivality or distrust the preserves a good understanding with them, as well as with his landford, with the tax collector, and with the church s selfs little, and Lurs little, he touches little money, but he seldom has any to : pay. The gentle and kindly chameter of the Tuscans is often spoken of, but without sufficiently remarking the cause which has contributed most to keep up that gontleness, the tenure, by which the entire class of farmers, riore than three-fourths of the population, are kept free from almost every occasion for quarrel." The fixity of tenure which the metrier, so long as be fulfils his own obligations, posses es by usage, though not by law, paves him the local attachments, and aboost the strong sense of personal interest, characteristic of a proprietor "The metaver lives on his metairie as on his inheritance, loving it with affection, | labouring incessantly to improve it, confiding in the future, and making sure that his land will be tilled after hun by his children and his children's In fact, the majority of metavers live from generation to generation on the same firm, they know it in its details with a minuteness which the feeling of property can alone give. The plots terrassed up, one above the other, are often not above four feet wide, but there is not one of, them, the qualities of which the motayer has not studied. This one is dry, that other is cold and damp here the soil is deep, there it is a mere crust which hardly covers the rock, wheat thrives best on one, 170 on another here it would be labour wasted to sow Indian corn, elsewhere the soil is unfit for beans and lupius, further off flax will grow admirably, the edge of this brook will be suited for hemp In this way one learns with surprise from the metayer, that in a space of ten arpents, the soil, the aspect, and

greater variety than a rich farmer is generally able to distinguish in a farm of five hundred acres For the latter knows that he is only a temporary occupant, and moreover, that he must conduct his operations by general rules, But the expeand neglect details menced metaver has had his intelli gence so awakened by interest and affection, as to be the best of observers. and with the whole future before him, he thinks not of himself alone, but of his children and grandchildren There fore, when he plants an olive, a tree which lasts for centuries, and excavates at the bottom of the hollow in which he plants it, a chinnel to let out the water by which it would be in jured, he studies all the strata of the earth which he has to dig out "*

§ 4 1 do not offer these quotations as evidence of the intrinsic excellence of the metayer system, but they surely suffice to prove that neither "land miserably cultivated" nor a people in "the most abject poverty," have any necessary connexion with it, and that the unmeasured vitu ? peration lavished upon the system by English writers, is grounded on an

* Of the intelligence of this interesting people, M de Sismondi speaks in the most favourable terms. Few of them can read, but there is often one member of the family destined for the priesthood, who reads to them on winter evenings Their language differs little from the purest Italian taste for improvisation in verse is general "The peasants of the Vale of Nievole fre quent the theatre in summer on festival days, from nine to eleven at night: their admis ion costs them little more than five French sous [2]d] Their favourite author is Alfleri, the whole history of the Atridm is familiar to these people who cannot read, and who reck from that austere poet a relaxation Unlike most from their rude labours rustics, they find pleasure in the beauty of their country "In the hills of the vale of Nievole there is in front of every house a threshing ground, seldom of more than 25 or 30 square fathoms; it is often the only level space in the whole farm: It is at the same time a terrace which commands the plains and the valley, and looksout upon a delightful country carcely ever have I stood still to admire it, without the metayer's coming out to enjoy my admiration and point out with his tinger the beauties which he thought might have escaped my notice

extremely narrow view of the subject I look upon the rural economy of linky as simply so much additional evidence in favour of small o cupations with It is an example permanent tenure of what can be accomplished by those two elements, even under the dixad vantage of the peculiar unture of the metaver contract, in which the motives to exertion on the part of the tenant are only half as atrong as if he farmed the land on the rame feeting of per petuity at a money rent, either fixe !, or varying according to some rule which would leave to the tenant the whole benefit of his own exertions The metager tenure is not one which we should be anxious to introduce where the exigencies of society had ! not naturally given birth to it, but neither ought we to be eager to abolish it on a mere à priori view of its disadvantages. If the system in Tucany works as well in practice as it is represented to do, with every app ar ance of minute knowledge, by so competent an authority as Sismondi, if the mode of living of the people, and the size of farms, have for ages main tained and still maintain themselves such as they are said to be by him, it were to be regretted that a state of rural well being so much beyond what is realised in most I propent countries, should be put to hazard by an attempt to introduce, under the guice of agricultural improvement, a system of money rents and capitalist farmers Even where the metayers are poor, and the subdivision great, it is not to be assumed as of course, that the change would be for the better enlargement of farms, and the intro duction of what are called agricultural improvements, usually diminish the

• 'We never," tays Sismondi, find a family of metayers proposing to their land lord to divide the metairic unless the work is really more than they can do, and they real assured of retaining the same enjoyments on a smaller piece of ground. We never find several sons all marrying and forming as many new families only one marries and undertakes the charge of the household: none of the others marry unless the first is childless, or unless some one of them has the offer of a new metairic." Are Principles of Political Economy, book lil, ch. 5

number of labourers employed on the land, and onless the croath of capital in trade and manufactures affolic an opening for the displaced paparation, or onless there are reclaimable was essentiated as the compact that only a reduce mares that they will probable by worse off as day labourers than they were as necessarily in

Mr. Tones very properly expects against the I reach Lor masts of that last century, that in previous the farounts of ject of introducts toonerrents, they turned their rounds soldy to putting fact in in the place of metasers and ad at trace on my the existing metavers into farmers, which, ne he mette is nucke, can ecoron's be effected unless to sunt le the metascre to save and become number of stock the proprietors submit for a comitrable time to a diminut on of incore, instead of experting an increwe of it. which has penerally been the r impredistributive for making the attempt If this transformation were effected and no other change made in the metayer's condition, if processing all the other rights which being ensures to him, he merely gr' rid of the land lord relain to half the problem, paying in his of it a moderate fixed rint, he would be no far in a bett r position than at precent, as the whele instead of only half the fruits of any improvement he made, would now belong to himself, but even so, the benefit world not be without alloy, for a instayer, though not hims If a capitalist has a capitalist for his partner, and has the use, in Italy at leart, of a considerable capital, as is proved by the excellence of the farm buildings and it is not probable that the landowners would any longer consent to peril their moreable property on the hazards of agracultural enterprise, when assured of a fixed money income without it. would the question stand, even if the change left undisturbed the metaver's virtual fixity of tenure, and converted him, in fact, into a peasant proprietor at a quit rent. But if we suppose him converted into a mere tenant, displace able at the landlord's will, and liable to have his rent raised by competition to any amount which any unfortunate being in search of subsistence can be found to offer or promise for it, he would lose all the features in his condition which preserve it from being

deteriorated he would be cast down from his present position of a kind of half proprietor of the land, and would sink into a cottier tenant.

CHAPTER IX.

OF COTTIERS

§ 1 By the general appellation of cottier tenure, I shall design ite all cases without exception, in which the labourer makes his contract for land jwithout the intervention of a capitalist farmer, and in which the conditions of the contract, especially the amount of rent, are determined not by custom but by competition. The principal European example of this tenure is Ireland, and it is from that country that the term cottor is derived * By far the greater part of the agricultural population of Ireland might until very lately have been said to be cottier tenants, except so far as the Ulster tenantright constituted an exception There was, indeed, a numerous class of labourers who (we may presume through the refusal either of proprietors or of tenants in possession to permit any further subdivision) had been unable to obtain even the smallest patch of land as permanent tenints But, from the deficiency of capital, the custom of paying wages in land was so universal, that even those who worked as casual labourers for the cottners or for such larger farmers as were found in the country, were usually paid not in money, but by permission to cultivate for the season a nece of ground, which was generally delivered to them by the farmer ready manured, and was known by the name

* In its original acceptation, the word "cottier" designated a class of sub tenants, who rent a cottage and an acre or two of land from the small tarmers. But the usage of writers has long since stretched the term to include those small farmers themselves, and generally all peasant farmers whose rents are determined by competition.

of conacro... For this they agreed to pay a money rent, often of several pounds an acre, but no money actually pussed, the debt being worked out in

labour, at a money valuation.

The produce, on the cottier system, if being divided into two portions, rent,? and the remuneration of the labourer the one is evidently determined by the The labourer has whatever the landlord does not take the con dition of the labourer depends on the amount of rent But rent, being regulated by competition, depends upon the relation between the demand for land, and the supply of it The demand for land depends on the number of com petitors, and the competitors are the whole rural population The effect. therefore, of this tenure, is to bring the principle of population to act directly on the land, and not, as in England; Rent, in this state of on capital things, depends on the proportion between population and land. As the land is a fixed quantity, while population has an unlimited power of in crease, unless something checks that increase, the competition for land soon forces up rent to the highest point consistent with keeping the The effects, there population alive fore, of cottier tenure depend on the extent to which the capacity of population to increase is controlled, either by custom, by individual prudence, of by starvation and disease

It would be an exaggeration to affirm, that cottier tenancy is absolutely incompatible with a prosper us condition of the labouring class we could suppose it to exist among a

people to whom a high standard of ! comfort was habitual, whose requirements were such, that they would not offer a higher rent for land than would leave them an ample subsistence, and whose moderate increase of numbers left no unemployed population to force up rents by competition, save when the increasing produce of the land from increase of skill would enable a higher rent to be paid without inconremence, the cultivating class might be as well remunerated, might have as large a share of the necessaries and somforts of life on this system of tenure They would not, as on any other however, while their rents were arbitrary, enjoy any of the peculiar ad vantages which metavers on the I usean system derive from their connexion with the land They would neither have the use of a capital belonging to their land ords, nor would the want of this be made up by the intense motives to bodily and mental exertion which act upon the peasant who has a per-On the contrary any manent tenurc increased value given to the land by the exertions of the tenant, would have no effect but to raise the rent against himself, either the next year, or at farthest when his leave expired landlords might have justice or good sense enough not to avail themselves of the advantage which competition would give them, and different landlords would do so in different degrees But it is never safe to expect that a class or body of men will act in opposition to their immediate pecuniary in terest, and even a doubt on the subject would be almost as fatal as a certainty, for when a person is considering whether or not to undergo a present exertion or sacrifice for a comparatively remote future, the scale is turned by a very small prolability that the fruits of the exertion or of the sacrifice would be taken from The only safeguard agninst these uncertainties would be gre rth of a custom, msuring a permanence of tenure in the same occupant, without liability to any other increase of rent then might happen to be sanctioned by the general sentiments of the

The Ulster Jonant right community The very consider is such a custom able sums which outpoing to naut woltain from their successors, for the good will of their farms,* in the first place actually limit the competition for land to persons who have such sums to offer while the same fact all o proves that full advantage is not taken by the landlord of even that more limited competition, since the landlord's rent does not amount to the whole of what the incoming tenant not only offers but actually para He does so in the full confidence that the rent will not be raise I, and for this he has the guarantec of a custom not recognised by law, but deriving its binding force from another ametion perfectly well under stood in Ircland + Without one or other of these supports, a custom limiting the rent of land is not likely to grow up in any progressive community wealth and population were stationary, rent also would generally be station are and after remaining a long time unaltered, would probably come to be considered unalt rable. But all progress in we ofth and population tends to a rise of rents Under a metaver system there is an established mode in which the owner of land is sure of participating in the increased prikluce drawn from it But on the cottier system he can only do so by a readjustment of the

It is not uncommon for a tenant without a lease to sell the bare privilere of occupaney or possession of his farm, without any visible sign of improvement having been made by him, at from ten to sixteen, up to twenty and even forty years purchase of the rent."-(Digest of Evidence taken by I and Decon s Communion, Introductory Chapter) The compiler adds, the comparative tranquillity of that district" (UI ter) " may perhaps be mainly attributable to this fact.

† "It is in the great majority of cases not a reimbursement for outlay incurred, or improvements effected on the land but a mere life insurance or purchase of immunity from outrage "-(Digest at supra) "The present tenant right of Ulster (the writer judiciously remarks) "Is an embryo copyloid" "I ven there, if the tenant right bedisregarded, and tenant he ejected without having received the price of his good will, outrages are gene raily the con equence "—(Ch viii) "The disorganized state of Tipperary and the agrarian combination throughout fieland, are but a methodized war to obtain the Ulster tenant-right,"

contract, while that readjustment, in a progressive community, would almost always be to his advantage. His interest, therefore, is decidedly opposed to the growth of any custom commuting trent into a fixed demand.

Where the amount of rent is Inot limited, either by law or custom, a cottier system has the disadvantages of the worst metayer system, with scarcely any of the advantages by which, in the best forms of that tenure, they are compensated. It is scarcely possible that cottier agriculture should be other than miserable There is not the same necessity that the condition of the cultivators should Since by a sufficient restraint on population competition for land could be kept down, and extreme poverty prevented, habits of prudence and a high standard of comfort, once established, would have a fair chance of maintaining themselves though even in these favourable circumstances the motives to prudence would be considerably weaker than in the case of metayers, protected by custom (like those of Tuscany) from being deprived of their since a metayer family, thus protected, could not be impoverished by any other improvident multiplication than their own, but a cottier family, however prudent and self restraining, may have the rent raised agripst it by the consequences of the multiplication of other families Any protection to the cottiers against this evil could only be derived from a salutary sentiment of duty or dignity, pervading the class From this source, however, they might derive considerable protection habitual standard of requirement among the class were high, a young man might not choose to offer a rent which would leave him in a worse condition than the preceding tenant, or it might be the general custom, as it actually is in some countries, not to marry until a farm is vacant

But it is not where a high standard of comfort has rooted itself in the habits of the labouring classes, that we are ever called upon to consider the effects of a cottier system. That system is

found only where the habitual require? ments of the rural labourers are the lowest possible, where, as long they are not actually starving, they will multiply and population is only checked by the disenses, and the shortness of life, consequent on insufficiency of merely physical necessaries was the state of the largest portion of the Irish peasantry When a people [have sunk into this state, and still more when they have been in it from time immemorial, the cottier system is an almost insuperable obstacle to their When the habits of emerging from it the people are such that their increase is never checked but by the impossibility of obtaining a bare support, and when this support can only be obtained from land, all stipulations and agreements respecting amount of rent are merely nominal, the competition for land makes the tenants undertake to pay more than it is possible they should pay, and when they have paid all they can, more almost always remains due

"As it may fairly be said of the Irish peasantry," said Mr Revans, the Secretary to the Irish Poor Law En quiry Commission, * "that every family which has not sufficient land to yield its food has one or more of its members supported by begging, it will easily be' conceived that every endeavour is made, by the peasantry to obtain small holdings, and that they are not influenced in their biddings by the fertility of the land, or by their ability to pay the rent, but solely by the offer which is most likely to gain them possession The rents which they promise, they are almost invariably incapable of paying, and consequently they become indebted to those under whom they hold, almost as soon as they take possession They give up, in the shape of rent, the whole produce of the land with the exception of a sufficiency of potatoes for a subsistence, but as this is rarely equal to the promised rent,

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^{*} Evils of the State of Ireland, their Causes and their Remedy Page 10 A pamphlet, containing, among other things, an excellent digest and selection of evidence from the mass collected by the Commission presided over by Archbishop Whately

they constantly have against them an In some cases, mereusing balance the largest quantity of produce which their holdings ever yielded or which, under their system of tillage, they could in the most favourable seasons be made to yield, would not be equal to the rent bid, consequently, if the peasant fulfilled his engagement with his landlord, which he is rarely able to accomplish, he would till the ground for nothing, and give his landlord a premium for being allowed to fill it On the sea-coast, fishermen, and in the northern counties those who have looms, frequently pay more in rent than the market value of the whole produce of the land they hold. might be supposed that they would be better without land under such circum stances But fishing might fail during a week or two, and so might the de mand for the produce of the loom, when, did they not possess the land upon which their food is grown, they The full amount of the might starve rent bid, however, is rarely paid peasant remains constantly in debt to his landlord, his miserable possessions - the wretched clothing of himself and of his family, the two or three stools, and the few pieces of crockery, which his wretched hovel contains, would not, if sold, liquidate the standing and generally accumulating debt The peasantry are mostly a year in arrear, and their excuse for not paying more is destitution. Should the produce of the holding, in any year, be more than usually abundant, or should the peasant by any accident become possessed of any property, his comforts cannot be increased, he cannot indulge m better food, nor in a greater quantity of it His furniture cannot be increased. neither can his wife or children be better clothed. The acquisition must go to the person under whom he holds accidental addition will enable him to reduce his arrear of rent, and thus to defer ejectment But this must be the bound of his expectation."

As an extreme instance of the intensity of competition for land, and of the monstrous height to which it occasionally forced up the nominal rent,

we may cite from the evidence taken by Lord Devon's Commission,* a fact attested by Mr Hurly, Clerk of the Crown for Kerry "I have known a' tenant bid for a farm that I was perfectly well acquainted with, worth 501's a year I saw the competition get up to such an extent, that he was declared the tenant at 4501"

In such a condition, what can) a tenant gain by any amount of industry or prudence, and what lose by: any recklessness? If the landlord at any time exerted his full legal rights, the cottier would not be able even to If by extra exertion he doubled; the produce of his bit of land, or if he prudently abstained from producing mouths to eat it up, his only gain would be to have more left to pay to his land lord, while, if he had twenty children, they would still be fed first, and the landlord could only take what was left. Almost alone amongst mankind the cottier is in this condition, that he can scarcely be either better or worse off by any act of his own If he weret industrious or prudent, nobody but his landlord would goin, if he is lazy or intemperate, it is at his landlord's ex A situation more devoid of motives to either labour or self command, imagination itself cannot con-ceive The inducements of free human beings are taken away, and those of a slave not substituted. He has nothing to hope, and nothing to fear, except being dispossessed of his holding, and against this he protects himself by the ultima ratio of a defensive civil war Rockism and Whiteboyism were the determination of a people who had nothing that could be called theirs but a daily meal of the lowest description of food, not to submit to being deprived of that for other people's convenience

Is it not, then, a bitter satire on the mode in which opinions are formed on the most important problems of human nature and life, to find public instructors of the greatest pretension, imputing the backwardness of Irish industry, and the want of energy of the Irish people in improving their condition, to

* Bridence, p. 851

a peculiar indolence and re klesmess i in the Celtic race? Of all velgar modes of excaping from the considers tion of the effect of social and moral infuences on the human mind, the most volgar is that of attribuong the diversities of conduct and character to inher at artural differences rare would not be indo'ent and insouthant when things are so arranged, that then denve no advantage from foreth wight or exection? If such are the armagements in the midst of which ther live and work, what wonder if the little sness and indifference so engradered are not shaken off the first moment an opportunity offers when exermon would really be of use? very natural that a pleasure lowing and ern invely organized people like the Inst, should be less a dicted to stendy routhelabour than the English, Lectuse lue has more excitements for them independent of it, but they are not less fitted for it than their Coline brethren the French, nor less so than the Tuscana, or the ancient Greeks An excitable organization is precisely that in which, by adequate inducements, it is expest to hindle a spirit of animated exertion It speaks rothing against the capaci ties of indistry in human beings that ther will not exert themselves without Imonice No labourers work harder, in England or Amerca, than the Irish, but not under a cottier system.

The multitules who till the soil of India are in a condition sufficiently analogous to tile cottier system, and at the same time sufficiently different from it, to render the comparison of the two a source of some in In most parts of India |struction there are, and perhaps have always ben only two contracting parties, the landlord and the peasant—the landlord being generally the sovereign, except where he has, by a special instrument, conceded his rights to an individual, who becomes his representative payments, however, of the peasants, or ryo s as they are termed, have seldom if ever been regulated, as in Ireland, by competition Though the customs locally obtaining were infinitely various, and though practically no custom could be maintained against the sovereign's will, there was always a rule of some sort common to a neigh bourhood the collector did not make his separate bargain with the persant, but assessed each according to the rule adopted for the rest. The idea was thus kept up of a right of property in the tenant, or at all events, of a right to permanent possession, and the anomaly arose of a fixity of tenure in the peasant farmer, co-existing with an arbitrary power of increasing the rent

When it e Mogul government substituted itself throughout the greater part of India for the Hindoo rulers, it proceeded on a different principle. As minute survey was made of the land; and upon that survey an assessment was founded, fixing the specific payment due to the government from each field. If this assessment had never been exceeded, the ryots would have been in the comparatively advantageous position of peasant-proprietors, subject to a heavy, but a fixed quit rent.

ject to a heavy, but a fixed quit cnt. The absence, however, of any real protection against illegal extortions, rendered this improvement in their condition rather nominal than real, and, except during the occasional accident of a humane and vigorous local administrator, the exactions had no practical limit but the inability of the ryot to pay more

It was to this state of things that! the English rulers of India succeeded, and they were, at an early period, struck with the importance of putting an end to this arbitrary character of the land revenue, and imposing a fixed limit to the government demand. They did not attempt to go back to the Mogul valuation. It has been in general the very rational practice of the English Government in India to pay bittle regard to what was laid down as the theory of the native institutions, but to inquire into the rights which existed and were respected in practice, and to protect and enlarge those a long time, however, it blundered grievously about matters of fact, and grossly misunderstood the usages and rights which it found existing

mistakes arose from the inability of [ordinary minds to imagine a state of social relations fundamentally different from those with which they are practi cally famihar England being accustomed to great estates and great land lords, the English rulers took it for granted that India must possess the like, and looking round for some set of people who might be taken for the objects of their search, they pitched upon a sort of tax gatherers called "The zemindar," says the zemindars philosophical historian of India.* "had some of the attributes which belong to a landowner, he collected the rents of a particular district, he governed the cultivators of that district, lived in comparative splendour, and his son succeeded him when he died. zemindars, therefore, it was inferred without delay, were the proprietors of the soil, the landed nobility and gentry It was not considered that the zemmdars, though they collected the rents, did not keep them, but paid them all away, with a small deduction, to the government. It was not considered that if they governed the ryots, and in many respects exercised over them despotic power, they did not govern them as tenants of theirs, holding their lands either at will or by con-The possession of tract under them the ryot was an hereditary possession, from which it was unlawful for the zemindar to displace him for every farthing which the zemindar drew from the ryot, he was bound to account, and it was only by fraud, if, out of all that he collected, he retained an ana more than the small proportion which, as pay for the collection, he was per mitted to receive."

'There was an opportunity in India," continues the historian, "to which the history of the world presents not a parallel. Next after the sovercign, the immediate cultivators had, by far, the greatest portion of interest in the soil. For the rights (such as they twere) of the zemindars, a complete compensation might have easily been made. The generous resolution was

* Mill's Hutors of British India, book vi th 8,

adopted, of encrificing to the improvement of the country, the proprietary rights of the sovereign. The motives to improvement which property gives, and of which the power was so justly appreciated, might have been bestowed upon those upon whom they would have operated with a force incomparably greater than that with which they could operate upon any other class of men they might have been bestowed upon those from whom alone, in every country, the principal improvements in agriculture must be derived, the immediate cultivators of the soil. And a measure worthy to be ranked among the noblest that ever were taken for the improvement of any country, might have helped to compensate the people of India for the misenes of that migovernment which they had so long, But the legislators were endured. English anstocrats and anstocratical prejudices prevailed"

The measure proved a total failure, as to the main effects which its well meaning promoters expected from it. Unaccustomed to estimate the mode in which the operation of any given insti tution is modified even by such variety of circumstances as exists within a single kingdom, they flattered them selves that they had created, through out the Bengal provinces, English landlords, and it proved that they had The new only created Irish ones landed aristocracy disappointed every expectation built upon them did nothing for the improvement of their estates, but everything for their The same pains not being מנט"ו מיחס taken, as had been taken in Ireland, to enable the landlords to defy the conse quences of their improvidence, nearly the whole land of Bengal had to be sequestrated and sold, for debts or arrears of revenue, and in one genera tion most of the ancient zemindars had ceased to exist Other families, mostly the descendants of Calcutta money dealers, or of native officials who had enriched themselves under the British government, now occupy their place, and live as useless drones on the soil which has been given up to them Whatever the government has sacreficed of its pecuniary claims, for the creation of such a class, has at the best been wasted

In the parts of India into which the British rule has been more recently hitroduced, the blunder has been avoided of endowing a useless body of great landlords with gifts from the public revenue In most parts of the Madras and in part of the Bombay Presidency, the rent is paid directly to the govern ment by the immediate cultivator In the North-Western Provinces, the government makes its engagement with the village community collectively, determining the share to be paid by each individual, but holding them jointly responsible for each other's default But in the greater part of India, the immediate cultivators have not obtained a perpetuity of tenure at a fixed The government manages the land on the principle on which a good Irish landlord manages his estate not putting it up to competition, not asking the cultivators what will promise to pay, but determining for itself what they can afford to pay, and defining its demand accordingly In many districts a portion of the

cultivators are considered as tenants of the rest, the government making its demand from those only (often a numerous body) who are looked upon as the successors of the original settlers or conquerors of the village times the rent is fixed only for one year, sometimes for three or five, but the uniform tendency of present policy is towards long leases, extending, in the northern provinces of India, to a term of thirty years. This arrangement has not existed for a sufficient time to have shown by experience, how far the motives to improvement which the long lease creates in the ninds of the cultivators, fall short of the influence of a perpetual settle-But the two plans, of annual settlements and of short leases, are irrevocably condemned They can only be said to have succeeded, in comparison with the unlimited oppression which existed before They are approved by nobody, and were never looked upon in any other light than as temporary arrangements, to be abandoned when a more complete knowledge of the capa bilities of the country should afford data for something more permanent

CHAPTER X.

MEANS OF ABOLISHING COTTIER TENANCY

§ 1 When the first edition of this work was written and published, the question, what is to be done with a cottier population, was to the English Government the most urgent of practical questions. The majority of a population of eight millions, having long grovelled in helpless inertness and abject poverty under the cottier system, reduced by its operation to mere food of the cheapest description, and to an incapacity of either doing or will ing anything for the improvement of their lot, had at last, by the failure of that lowest quality of food, been plunged into a state in which the

alternative scemed to be either death, or to be permanently supported by other people, or a radical change in the economical arrangements under which it had hitherto been their misfortune to live Such an emergency had compelled attention to the subject from the legislature and from the nation, but it could hardly be said with much result, for, the evil having originated in a system of land tenancy which with drew from the people every motive to

* Since this was written the resolution has been adopted by the Indian Government of converting the long leases of the Northern Provinces into perpetual tenures at fixed rents, rights to the zemindars, is able to prevent this evil, because, being itself the landlord, it can fix the rent according to its own judgment, but under indi vidual landlords, while rents are fixed by competition, and the competitors are a peasantry struggling for subsistence, nominal rents are inevitable, unless the population is so thin, that the compe-The matition itself is only nominal jority of lancifords will grasp at immedinte money and immediate power, and so long as they find cottiers eager to offer them everything it is useless to rely on them for tempering the vicious practice by a considerate self-denial

A perpetuity is a stronger stimulus to improvement than a long lease not only because the longest leave, before coming to an end, passes through all the varieties of short leases down to no sease at all, but for more fundamental It is very shallow, even in pure economics, to take no account of the influence of imagination there is a virtue in "for ever" beyond the longest term of years, even if the term is long enough to include children, and all whom a person individually cares for, yet until he has reached that high degree of mental cultivation at which the public good (which also includes perpetuity) acquires a paramount ascendancy over his feelings and desires. he will not exert himself with the same ardour to increase the value of an estate, his interest in which diminishes in value every year. Besides, while perpetual tenure is the general rule of landed property, as it is in all the countries of Furope, a tenure for a limited period, however long, is sure to be regarded as something of inferior consideration and dignity, and inspires less of ardour to obtain it, and of attach ment to it when obtained But where a country is under cottier tenure, the question of perpetuity is quite secondary to the more important point, a limitation of the rent. Rent paid by a capi talist who farms for profit, and not for bread, may safely be abandoned to competition, rent paid by labourers cannot, unless the labourers were in a state of civilization and improvement which labourers have nowhere yet

reached, and cannot easily reach under Peasant rents ought such a tenure never to be arbitrary, never at the discretion of the landlord either by custom or law, it is imperatively necessary that they should be fixed, and where no mutually advantageous custom, such as the metayer system of Tuscany, has established itself, reason and experience recommend that they should be fixed by authority thus changing the rent into a quit-rent, and the farmer into a

peasant proprietor

For carrying this change into effect on a sufficiently large scale to accom plish the complete abolition of cottier tenancy, the mode which most obvi ously suggests itself is the direct one, of doing the thing outright by Act of Parliament, making the whole land of: Ireland the property of the tenants, subject to the rents now really paid (not the nominal rents), as a fixed rentill This, under the name of charge "fixity of tenure," was one of the demands of the Repeal Association dur ing the most successful period of their agitation and was better expressed by Mr Conner, its earliest, most enthusi astic, and most indefatigable apostle,* by the words, "a valuation and a perpetuity ' In such a measure there would not have been any injustice, provided the landlords were compensated for the present value of the chances of increase which they were prospectively required to forego The rupture of ex isting social relations would hardly have been more violent than that effected by the ministers Stein and Hardenberg, when, by a series of edicts, in the early part of the present century, they revolutionized the state of landed property in the Prussian monarchy, and left their names to posterity among the greatest benefactors of their country To en lightened foreigners writing on Ireland, Von Raumer and Gustave de Beau mont, a remedy of this sort seemed so exactly and obviously what the disease required, that they had some difficulty

 Author of numerous pamphlets, entitled 'True Political Economy of Ireland,"
'Letter to the Farl of Devon 'Two
Letters on the Rackrent oppression of Iro
land, and others Mr Conner has been ar agitator on the subject since 1832

h comprehending how it was that the | this purpose was at one time projected

thing was not yet done

This, however, would have been, in the first place, a complete expropriation of the higher classes of Ireland which, of there is any truth in the principles we have laid down, would be perfectly warrantable, but only if it were the sole means of effecting a great public good In the second place, that there should be none but peasant proprietors, is in itself far from desirable Large farms, cultivated by large capital, and owned by persons of the best education which the country can give, persons qualified by instruction to appreciate scientific discoveries, and able to bear the delay and risk of costly experiments, are an important part of a good agricultural Many such landlords there are even in Ireland, and it would be a public misfortune to drive them from their posts A large proportion also of the present holdings are probably still too small to try the proprietary system under the greatest advantages nor are the tenants always the persons one would desire to select as the first occupants of peasant-properties There are numbers of them on whom it would have a more beneficial effect to give them the hope of acquiring a landed property by industry and frugality, than the property itself in immediate norsession

There are, however, much milder measures, not open to similar objections, and which, if pushed to the utmost extent of which they are susceptible, would realize in no inconsiderable degree the object sought One of them would be, to enact that whoever reclaims waste land becomes the owner of it, at a fixed quit-rent equal to a moderate interest on its It would of mere value as waste course be a necessary part of this measure, to make compulsory on landlords the surrender of waste lands (not of an ornamental character) whenever reguired for reclamation Another expedient, and one in which individuals could co-operate, would be to buy as much as possible of the land offered for sale, and sell it again in small portions as peasant-properties. A Society for this purpose was at one time projected (though the attempt to establish it proved unsuccessful) on the principles, so far as applicable, of the Freehold Land Societies which have been so successfully established in England, not primarily for agricultural, but for

electoral purposes This is a mode in which private capital may be employed in renovating the social and agricultural economy of Ireland, not only without sacrifice but with considerable profit to its owners. The remarkable success of the Waste Land Improvement Society, which proceeded on a plan far less advan tageous to the tenant, is an instance of what an Irish peasantry can be stimulated to do, by a sufficient assurance that what they do will be for their own advantage. It is not even indispensable to adopt perpetuity as [the rule, long leases at moderate rents, like those of the Waste Land Society would suffice, if a prospect were held out to the farmers of being allowed to purchase their farms with the capital which they might acquire, as the Society's tenants were so rapidly acquiring under the influence of its beneficent system * When the lands

* Though this society, during the years succeeding the famine, was forced to wind up its affairs, the memory of what it accomplished ought to be preserved. The following is an extract in the Proceedings of Lord Devon's Commission (page 84) from the report made to the society in 1845, by their intelligent manager, Colonel Robinson.—
"Two hundred and forty five tenants

"Two hundred and forty five tenants many of whom were a few years alnee in a state bordering on pauperism, the occupiers of small holdings of from ten to twenty plantation acres each, have, by their own free labour, with the society s and imprived their farms to the value of 43961; 605L having been added during the last year, being at the rate of 17L 18s per tenant for the whole term, and 2l 6s for the past year; the benefit of which improvements each tenant will enjoy during the unexpired term of a thirty-

one years' lease
"These 245 tenants and their families have, by spade industry reclaimed and brought into cultivation 1032 plantation acres of land, previously unproductive mountain waste, upon which they grew last year, crops valued by competent practical persons at 3900L, being in the proportion of 151 18s each tenant; and their live stock, consisting of cattle, horses, sheep, and pigs, now actually upon the estates, is valued, according to the present prices of the neighbouring markets, as

would be liberated, and it might recommence operations in some other quarter

Thus far I had written in Since that time the great crisis of Irish industry has made further progress, and it is necessary to con pider how its present state affects the opinions, on prospects or on practical measures, expressed in the previous

part of this chapter

The principal change in the situa tion consists in the great diminution, holding out a hope of the entire ex-The enor tinction, of cottler tenure mode decrease in the number of small holdings, and increase in those of a medium size, attested by the statistical returns, sufficiently proves the general fact, and all testimonies show that the tendency still continues.* It is proba-

41621,, of which 13041 has been added since February 1841 being at the rate of 161 19s. for the whole period, and 51 6s for the last year during which time their stock has thus increased in value a sum equal to their present annual rent; and by the statistical tables and returns referred to in previous reports, it is proved that the tenants in general improve their little farms, and increase their cultivation and crops, in nearly direct proportion to the number of available working persons of both sexes of which their families consist

There cannot be a stronger testimony to the superior amount of gross and even of net produce, raised by small farming under any tolerable system of landed tenure; and it is worthy of attention that the industry and zeal were greatest among the smaller holders; Colonel Robinson noticing, as ex ceptions to the remarkable and rapid progress of improvement, some tenants who were ' occupants of larger farms than twenty acres, a class too often deficient in the endur ing industry indispen able for the successful prosecution of mountain improvements

*There is, however a partial countercurrent, of which I have not seen any public notice "A class of men, not very numerous but sufficiently so to do much mischlef have through the Landed Estates Court got into possession of land in Ireland, who of all classes, are least likely to recognise the duties of a landlord s position These are small traders in towns, who by dint of sheer paraimony, frequently combined money-lending at usurlous rates, have suc ceeded, in the course of a long life, in scraping together as much money as will enable them to buy fifty or a hundred acres of land These people never think of turning farmers, but, proud of their position as land lords, proceed to turn it to the utmost

were sold, the funds of the association | ble that the repeal of the corn laws, inecessitating a change in the exports of Iroland from the products of tillage to those of pasturage, would of itself have sufficed to bring about this rovolution in tenure A grazing farm can) only be managed by a capitalist farmer,

> An instance of this kind came under my notice lately The tenants on the property were at the time of the purcha e some twelve years ago, in a tolerably com Within that period their fortable state rent has been raised three several times; and it is now as I am informed by the priest of the district nearly double its amount at the commencement of the present proprietor's reign. The result is that the people, who were formerly in tolerable consort, are now reduced to poverty : two of them have left the property and squatted near an adja cent turi bog where they exist trusting for If this man is support to occasional jobs not shot, he will injure himself through the deterioration of his property but meantime he has been getting eight or ten per cent on his purchase-money This is by no means a The scandal which such occurrare case rences cause, casts its reflection on transac-tions of a wholly different and perfectly legitimate kind, where the removal of the tenants is simply an act of mercy for all parties.

"The anxiety of landlords to get rid of cottlers is also to some extent neutralized by the anxiety of middlemen to get them About one fourth of the whole land of Ireland is held under long leases; the rent received when the lease is of long standing being generally greatly under the real value of the It rarely happens that land thus held is cultivated by the owner of the lease; in stead of this he sublets it at a rack rent to small men and lives on the excess of the rent which he receives over that which he pays Some of these leases are always running out and as they draw towards their close, the middleman has no other interest in the land than, at any cost of permanent deterioration to get the utmost out of it during the unexpired period of the term For this purpose the small cottler tenants precisely answer his turn Middlemen in this position are as anxious to obtain cottiers as tenants as the landlords are to be rid of them; and the result is a transfer of this sort of tenant from one class of estates to the other movement is of limited dimensions, but it does exist and so far as it exists, neutralizes the general tendency Perhaps it may be thought that this system will reproduce itself that the same motives which led to the existence of middlemen will perpetuate the class; but there is no danger of this Landowners are now perfectly alive to the rulnous consequences of this system, however convenient for a time; and a clause against sub-letting is now becoming a matter of course in every lease '-(Private Commynication from Professor Cairnes.)

or be the land of Pit nelange in [rothing so great and aptroces our of the torul to a low born line ensuly facility I sear sit of biger on in stant feet Little eventual on, as well as he that greatest born ever e-pferred on Ireland by any Givenment, the Incombrid Polat al Act, the less provide as of which have since, through the Land I Estates Learn bert jorn anently inconstrated ! ing the kurial system of the country The recatest part of these il of Irelen l. t are is turn hisabeliuse is non fix and l'actual existence. eather by the landbooks or be applic ent als farmers. Heat these for their are it is such a the cheanistances, and a condition as a street with three as each e territo emienco, in juri cular tio great moreta of depret a mathe banks i er with they are the principal cost to ex to far as that classic concemel the clof there will wanted in exceptly of temper, or neuronco of components of remposeutate. The means of graphing these wants are n is engaging the ettential of the mos expetent mitde, fulge four fell saddress, in the autumn of 1504. and the monetion created by it, are an ers in the s i.e t, and a point his nonken rezelved when we may confidently extent that with a never ten years semething effection will be done

But what, meanwhile, is the condition of the displaced cuttiers, so far ian they have not e ingented, and of the whole class who subject by agricultural black ar, without the occupation of any fland? As yet, their state is one of great por rty, with but slight prospect Morey wages, in of improvement died, have usen much above the vretched level of a generation ago but the cost of subsistence has also men so much above the old potato standard, that the real improvement is not equal to the numeral, and according to the lest information to which I have access, there is little appearance of an improved standard of living among the The population, in fact, reduced though it be, is still far beyond what the country can support as a mere igrazing district of l'ngland. It may pot, perhaps, be strictly true that, if the present number of inhabitants are | makes it only too probable that she

to be maintained at home, it can only be either on the old vicious system of entherism, or as reall proprietors growing their own ford | The lands which? vill reman infer tillage would, no doubt, if sufficient recurity for outline were given, adout of a more extensive emptorment of labourers by the small capit dist farmers, and this, in the opinion of rome competent judges, might anathe the country to support the present minter of its population in But no one will pretend that this recourse is sufficient to maintain them in any condition in which it is no that the great body of the presents of a country should Accordingly the emigration, #215t which for a time had fallen off, has, ut ler the additional stimulus of bad s 340014, revised in all its strength is cal ulated that within the year 1861 not loss than 100,000 emigrants left the Inch chores. As for as regards the erugiants themselves and their pasterity, or the general interests of the human race, it would be folly to n gret the result. The children of the managrant lineh receive the education of Americans and enter, more rapidly and completely than would have been peculic in the country of their do scent, into the benefits of a higher state of civilization. In twent, or thirty years they are not mentally distinguishable from other Americans The lors, and the disgrace, Lugland's and it is the English prople and government whom it chiefly concerns to ask thomselves, how far it will be to their honour and advan tage to retain the mere soil of Ire land, but to lose its inhabitants With the present feelings of the Irish people, and the direction which their hope of improving their condition scenis to be permanently taking, langland, it is probable, has only the choice between the depopulation of Ireland, and the conversion of a part of the labouring population into peasant proprietors The truly meular ignorance of her public men respecting a form of agricultural economy which predominates in nearly every other civilized country,

will choose the worse side of the alter-Yet there are germs of a ten dency to the formation of pansant proprietors on Irish soil, which require only the aid of a friendly legislator to Moster them, as is shown in the follow ing extract from a private communication by my emment and valued friend, Professor Carrics -

'On the sale, some eight or ten tyears ago, of the Thomond, Portarlington, and Kingston estates, in the Lucumbered Estates Court, it was observed that a considerable number of occupying tenants purchased the fre of their farms I have not been able to obtain any information as to what followed that proceeding-a hether the purchasers continued to farm their aniall properties, or under the mania of landloraism tried to escape from their former mode of life But there are other facts which have a bearing on this question. In those parts of the country where tenant-right prevails, the prices given for the goodwill of a farm are enormous The following figures, taken from the schedule of an estate in the neighbourhood of Newry, now passing through the Landed Estates Court, will give an idea, but a very inadequate one, of the prices which this mere customary right gene rally fetches

"Statement showing the prices at which the tenant-right of certain forms

near Newry was sold -

	Acres.		Rent.	Pur of t	chase cunit	money right
Lot 1	23		£74	***	£33	_
3	24		77		240	
a	13	••	39		110	
4 5	14		34	•••	85	
	10	**	33	**	17.2	
6	5	***	18	**	75	
7	8	**	24		130	
8	11	••	83		130	
9	2		5		8	
	~					
	110	3	E334		£980	

"The prices here represent on the whole about three years' purchase of the rental but this, as I have said, gives but an inadequate idea of that which is frequently, indeed of that which is ordinarily, paid. The right, being purely customary, will vary in

posed in the good faith of the land In the present matrices circum stances have come to haht in the course of the proceedings connected with the anle of the carne, which give reason to believe that the confidence in this case was not high, consequently, the rates above given may be taken as consider ably under those which ordinarily pre-Cases, as I am informed on the lini highest authority, have in other pars of the country come to light, also in the Landed F-tates Court, in which tho price given for the tenant right was equal to that of the whole fee of the It is a remarkable fact that people should be found to give, gav twenty or twenty five vents, purchase, for land which is still subject to a good round rent. Why, it will be neked, do they not purchase land out and out for the same, or a slightly larger, sum? The answer to this question, I believe, is to be found in the state of our land laws The cost of transferring land .n small portions is, relatively to the purchase money, very considerable, oven in the Landed Estates Court, while the goodwill of a farm may be trinferred without any cost at all cheapest conveyance that could be drawn in that Court, where the utmost economy, consistent with the present mode of remunerating legal services, is strictly enforced, would, irrespective of stamp duties, cost 101-a very sensible addition to the purchase of a small peasant estato a conveyance to transfer a thousand acres might not cost more, and would probably not cost much more But in truth, the mere cost of conveyance represents but the least part of the obstacles which exist to obtaining land in small portions. A far more serious impediment is the complicated state of the ownership of land, which renders it frequently impracticable to subdivide a property into such portions as would bring the land within the reach of small bidders. The remedy for this state of things, however, lies in measures of a more radical sort than I fear it is at all probable that any House of Commons we are soon likely to see would even with value with the confidence generally re- | patience consider A registry of titles

hav at cooled in reducing this complex | cannot be fairly tried. The facts, how condition of ownership to its simplest lever, which I have stated show, I expression, but where real complete think, conclusively, that there is no tion exists, the difficulty is not to be cobstrole in the disposition of the people got rid of by mere supplicate of form. and a recistre of titles-while the pawers of disposition at present enjoyed la landowners reman undiminished, will every settler and testator has an almost unbounded licence to milit the interests in land, as pride, the pers ion for dictation, or more whim mas suggest—will, in my opinion, fail to reach the root of the coil. effect of these circumstances is to place an immeres premium upon large deal ance in land-indeed in most cases practically to proclude all other than ! large dealings, and while this is the ! at the of the law, the experiment of Wesant proprietorship, it is plain, with the subject of Wages

to the introduction of this system "

I have concluded a discussion, which has occupied a space almost disproper soned to the dimensions of this nork, and I here close the examina tion of those simpler forms of social economy in which the produce of the land either belongs un hydedly to one class, or is shared only between two classes. We now proceed to the hyport thesis of a threefold division of the produce, among labourers, Luidlords, and c ipitalists, and in order to connect the coming discussion as closely as possible with those which have now for some! time occupied us, I shall commence

CHAPTER XL

OF WAGES

Unner the head of Wager are to be considered, first, the causes which determine or influence the wages of Lifour generally, and secondly, the differences that exist between the funges of different employments is convenient to keep these two classes of consideration separate, and in discussing the law of wages, to proceed in the first instance as if there were no other kind of labour than common unskilled labour, of the average degree of hardness and disagrecubleness

Wages, like other things, may be refulnted either by competition or by In this country there are few kinds of labour of which the remuneration would not be lower than it is, if the employer took the full advantage of competition Competition, however, must be regarded, in the present state of society, as the principal regulator of wages, and custom or individual character only as a modifying circumstance, and that in a comparatively slight degree

Wages, then, depend mainly upon

the demand and supply of labour, or as it is often expressed, on the proportion between population and capital. By population is here meant the number only of the labouring class, or rather of those who work for hire, and by capital, only circulating capital, and not even the whole of that, but the part which is expended in the direct purchase of labour To this, however, must be added all funds which, with out forming a part of capital, are paid, in exchange for labour, such as the wages of soldiers, domestic servants, and all other unproductive labourers. There is unfortunately no mode of expressing by one familiar term, the aggregate of what may be called the wages fund of a country and as the wages of productive labour form nearly the whole of that fund, it is usual to overlook the smaller and less important part, and to say that wages depend on population and capital It will be convenient to employ this expression, remembering, however, to consider it as

elliptical, and not as a literal statement | tunity remove his capital to some of the entire truth | other occupation, in which it would

With these limitations of the terms, was exact only depend upon the relative amount of capital and population, but cannot, under the rule of competition, be affected by anything elso. Wag so (meaning, of course, the general rate) cannot rise, but by an increase of the aggregate funds employed in luming labourers, or a diminution in the number of the competitors for hire, nor fall, except either by a diminution of the funds devoted to paving labourers to be paid.

§ 2 There are, however, some facts in apparent contradiction to this doctrine, which it is incumbent on us

to consider and explain

For instance, it is a common raying Afthat wages are high when trade is igood The demand for labour in any particular employment is more press ing, and higher wages are paid, when there is a brisk demand for the coin modity produced, and the contrars when there is what is called a stagnathen workpeople are dismissed, and those who are retained must submit to a reduction of wages though in these cases there is neither more nor less capital than before. This is true. and is one of those complications in the concrete phenomena, which obscure and disguise the operation of general causes, but it is not really inconsistent with the principles laid down tal which the owner does not employ in purchasing labour, but keeps idle in his hands, is the same thing to the labourers, for the time being, as if it did not exist All capital is, from the variations of trade, occasionally in thus state A manufacturer, finding a slack demand for his commodity, forbears to employ labourers in in creasing a stock which he finds it difficult to dispose of, or if he goes on un til all his capital is locked up in unsold goods, then at least he must of necessity pause until he can get paid for some of them. But no one expects either of these states to be permauent, it he did, he would at the first oppor- | by them

other occupation, in which it would still continue to employ labour. That capital remains unemployed for a time, during which the labour market 14 overstor Led, and wage fall wards the demand revives, and perhaps becomes unnarrilly brak, en abling the manufacture to sell has commodity even faster than he can produce it his whole capital is then brought into complete en un v. and if he is able the hierows capital in addition, which would otherwise have go in into some other employment. At such tim a rages in his particular excura tion mee If we suppose what in attick ness is not absolutely impossible, that one of these lits of brish mass or o stag nation should affect all occupations at the same time, wages altogether a talit undergoarise or a fall These, however, are but temporary fluctuations capital now lying idle will next year be in active employment, that which is this year unable to keep up with the demand will in its turn be locked up in crowded wan houses and wages in these several departments will clib and flow accordingly but nothing can para manently alter general wages ex pt an increase or a diminution of carital itself (always meaning by the term, the funds of all sorts, destined for the pay ment of labour) compared with the quan tity of labour othering itself to be hired!

Again, it is another common notion; & that high prices make high wages, because the producers and dealers, being better off, can afford to pay more to their labourers I have already said that a brisk demand, which cruser temporary high prices, causes also tem portry high wages But high prices, in themselves, can only raise wages if the dealers, receiving more, are induced to save more, and make an addition to their capital, or at least to their purchases, of inbour is indeed likely enough to be the case, and if the high prices came di rect from heaven, or even from abroad, the labouring class might be benefited, not by the high prices themselves, but by the increase of capital occasioned The same effect, however,

la often attributed to a high price which is the result of restrictive laws, or which is in some way or other to be paid by the remaining members of the community, they having no greater means than before to pay it with High prices of this sort, if they benefit one class of labourers, can only do so at the expense of others, since if the dealers by receiving high prices are enabled to make greater savings, or otherwise increase their purchases of labour, all other people by paying those high prices, have their means of saving, or of purchasing labour, reduced in an equal degree, and it is a matter of accident whi ther the one alteration or the other will have the greatest effect ion the labour market. Wages will probably be temporarily higher in the employment in which prices have risen, and somewhat lower in other employments in which case, while the first half of the phenomenon excites notice, the other is generally over-looked, or if observed, is not ascribed to the cause which really produced it Nor will the partial rise of wages last long for though the dealers in that one employment gain more, it does not follow that there is room to employ a greater amount of savings in their own business their increasing capital will probably flow over into other employments, and there counterbalance the diminution proviously made in the demand for fabour by the diminished savings of other classes

Another opinion often maintained is, that wages (meaning of course money wages) vary with the price of food, rising when it rises, and falling when it This opinion is, I conceive, only partially true and in so far as true, in no way affects the dependence of wages on the proportion between capital and labour since the price of food, when it affects wages at all, affects them through that law Dear or cheap food caused by variety of seasons does not affect wages (unless they are artificially adjusted to it by law or charity) or rather, it has some tendency to affect them in the contrary way to that supposed, since in times of

violently for employment, and lower the labour market against themselves But dearness or cheapness of food, when of a permanent character, and capable of being calculated on beforehand, may affect wages In the first place, if the labourers have, as is often the case, no more than enough to keen them in working condition, and enable them barely to support the ordinary; number of children, it follows that it food grows permanently dearer without a rise of wages, a greater number of the children will prematurely die, and thus wages will ultimately be higher, but only because the number of people will be smaller, than if food had remained cheap But, secondly, even though wages were high enough to admit of food's becoming more costly without depriving the labourers and their families of necessaries, though they could bear, physically speaking, to be worse off, perhaps they would not consent to be so They might They might have habits of comfort which were to them as necessaries, and sooner than forego which, they would put an additional restraint on their power of multiplication, so that wages would rise. not by increase of deaths but by diminution of births In these cases, then, wages do adapt themselves to the price of food, though after an interval of almost a generation Mr considers these two cases to comprehend all cases He assumes, that there is everywhere a minimum rate of wages either the lowest with which it is physically possible to keep up the population, or the lowest with which the people will choose to do so this minimum he assumes that the general rate of wages always tends. that they can never be lower, beyond the length of time required for diminished rate of increase to make itself felt, and can never long continue This assumption contains higher sufficient truth to render it admissible for the purposes of abstract science, and the conclusion which Mr Ricardo; draws from it, namely, that wages in the long run rise and fall with the permanent rise of food, is, like almost alf scarcity people generally compete more | his conclusions, true hypothetically,

that is, granting the suppositions from But in the appli which he sets out cation to practice, it is necessary to consider that the minimum of which he speaks, especially when it is not a physical, but what may be termed a moral minimum, is itself liable to vary If wages were previously so high that they could bear reduction, to which the obstacle was a high standard of comfort habitual among the labourers, a use of the price of food, or any other disadvantageous change in their cir cv pstances, may operate in two ways it may correct itself by a rise of wages, brought about through a gradual effect on the prudential check to population, or it may permanently lower the standard of living of the class, in case their previous habits in respect of popuintion prove stronger than their previous habits in respect of comfort that case the injury done to them will be permanent, and their deteriorated condition will become a new minimum. tending to perpetuate itself as the more ample minimum did before It is to be feared that of the two modes in which the cause may operate, the last is the most frequent, or at all events sufficiently so, to render all propositions ascribing a self repairing quality to the calamities which beful the labouring classes, prac-There is con tically of no validity siderable evidence that the circum stances of the agricultural labourers in England have more than once in our history sustained great permanent de terioration, from causes which operated by diminishing the demand for labour, and which, if population had exercised its power of selfadjustment in obedience to the previous standard of comfort, could only have had a temporary effect but unhappily the poverty in which the class was plunged during a long series of years, brought that previous standard into disuse, and the next generation, growing up without having possessed those pristine com torts, multiplied in turn without any attempt to retrieve them *

* See the historical sketch of the condition of the Fnglish peasantry prepared from the treatment of questions affecting the econobest authorities by Mr William Thornton, I mucal condition of the labouring classes

The converse case occurs when by improvements in agriculture, the repeal of corn laws, or other such causes, the necessaries of the labourers are cheapened, and they are enabled with the same wages, to command greater comforts than before Wages will not fall immediately, it is even possible that they may rise, but they will fall at last, so as to leave the labour is no better off than before, unless, during this interval of prosperity the stan lard of comfort regarded as indespensable by the class, is permanently raised. Un fortunitely this salutary effect is by no means to be counted upon it is a much more difficult thing to raise, than to lower, the scale of living which the labourers will consider as more indispensable than marrying and having a If they content themselves with enjoying the greater comfort while it lasts but do not learn to require it. they will people down to their old scale of living. If from poverty their children had previously been insufficiently fed or improperly nursed, a greater number will now be revied, and the competition of these, when they grow up, will depress wages, probably in full proportion to the greater cheapness of If the effect is not produced in tood this mode, it will be produced by earlier and more numerous marriages, or by an increased number of births to h marnage According to all experi ence, a great mere we invariably takes place in the number of marriages, in seasons of cheap food and full employ-, I cannot, therefore, agree in the importance so often attached to the repeal of the corn laws, considered merely as a labourers question, or to any of the schemes, of whi h some one or other is at all times in vogue, for making the labourers a very little better off I hings which only affect them a very little, make no permanent impression upon their habits and requirements, and they soon slide back into their in his work entitled Over Population and its Remedy: a work honourably distinguished from most others which have been published in the present generation by its rational

former state To produce permanent advantage, the temporary cause operating upon them must be sufficient to make a great change in their condition-a change such as will be felt for many years, notwithstanding any stimulus which it may give during one reneration to the increase of people When, indeed, the improvement is of this signal character, and a generation grows up which has always been used to an improved scale of comfort, the habits of this new generation in respect to population become formed upon a higher minimum, and the improvement in their condition becomes permanent. Of cases in point, the most remarkable is France after the Revolution The majority of the population being suddenly raised from misery, to inde pendence and comparative comfort, the immediate effect was that population, notwithstanding the destructive wars of the period, started forward with unexampled rapidity, partly because improved circumstances enabled many children to be reared who would otherwise have died, and partly from The succeeding increase of births generation however grew up with habits considerably altered, and though the country was never before in so prosperous a state, the annual number of births is now nearly stationary,* and the increase of population extremely # wols

• Supra, pp 177, 178

† A similar, though not an equal improvement in the standard of living took place among the labourers of England during the remarkable fifty years from 1716 to 1765, which were distinguished by such an extra-ordinary succession of fine harvests (the years of decided deficiency not exceeding five in all that period) that the average price of wheat during those years was much lower than during the previous half century Mr Malthus computes that on the average of sixty years preceding 1720, the labourer could purchase with a day s earnings only two-thirds of a peck of wheat, while from 1720 to 1750 he could purchase a whole peck The average price of wheat according to the Fton tables, for fifty years ending with 1715, was 41s. 72d, the quarter, and for the last twenty three of these, 45s 8d, while for the fifty years following, it was no more than 34s 11d So considerable an improvement in the condition of the labouring class, though arising from the accidents of seasons, yet continuing for more than a generation,

Wages depend, then, on the proportion between the number of the labouring population, and the capital or other junds devoted to the purchase of labour, we will say, for shortness, the capital If wages are higher at one time or place than at another, if . the subsistence and comfort of the class of hired labourers are more ample, it is for no other reason than because capital bears a greater proportion to population. It is not the absolute amount of accumulation or of production, that is of importance to the labouring class, it is not the amount even of the funds destined for distribution among the labourers at is the proportion between those funds and the numbers among whom they are shared The condition of the class can be bettered in no other way than by altering that proportion to their advantage and every scheme for their benefit, which does not proceed on this as its foundation, is, for all permanent pur poses, a delusion

In countries like North America and the Australian colonics, where the knowledge and arts of civilized life, and a high effective desire of accumu lation, co-exist with a boundless extent of unoccupied land, the growth of capital easily keeps pace with the utinost possible increase of population, and is chiefly retarded by the im-All, therefore, who can post enough sibly be born, can find employment without overstocking the market every labouring family enjoys in abundance the necessaries, many of the comforts, and some of the luxures of life, and, unless in case of individual misconduct, or actual mability to work, poverty does not, and dependence needs! not, exist A similar advantage, though in a less degree, is occasionally

had time to work a change in the habitual requirements of the labouring class and this period is always noted as the date of "a marked improvement of the quality of the food consumed, and a decided elevation in the standard of their comforts and conveniences"—(Malthus, Principles of Political Economy, p 225) For the character of the period, see Mr Tookes excellent History of Prices, vol i. pp 38 to 61, and for the prices of corn, the Appendix to that work

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enjoyed by some special class of la- | bourers in old countries, from an extra ordinarily rapid growth, not of capital generally, but of the capital employed in a particular occupation So gigantic has been the progress of the cotton manufacture since the inventions of Watt and Arkwright, that the capital engaged in it has probably quadrupled 'in the time which population requires ' for doubling While, therefore, it has attracted from other employments nearly all the hands which geographical circumstances and the habits or inclinations of the people rendered available, and while the demand it created for infant labour has enlisted the immediate pecuniary interest of the operatives in favour of promoting, instead of restraining, the increase of population, nevertheless wages in the great seats of the manufacture are generally so high, that the collective earnings of a family amount, on an average of years, to a very satisfactory sum, and there is, as yet, no sign of permanent decrease, while the effect has also been felt in raising the general standard of agricultural wages in the counties adjoining

But those circumstances of a country, or of an occupation, in which popula tion can with impunity increase at its utmost rate, are rare, and transitory Very few are the countries presenting the needful union of conditions Either the industrial arts are backward and istationary, and capital therefore in creases slowly, or the effective desire of accumulation being low, the increase soon reaches its limit, or, even though both these elements are at their highest known degree, the increase of capital us checked, because there is not iresh hand to be resorted to, of as good quality as that already occupied. Though capital should for a time double itself simultaneously with population, if all this capital and population are to find employment on the same land, they cannot without an un exampled succession of agricultural inventions continue doubling the produce, therefore, if wages do not fall, profits must, and when profits fall,

sides, even if wages did not fall, the price of food (as will be shown more fully hereafter) would in these circum stances necessarily rise, which is equi-

valent to a fall of wages Except, therefore, in the very peouliar cases which I have just noticed, of which the only one of any practical importance is that of a new colony, or a country in circumstances equivalent, to it, it is impossible that population should increase at its utmost rate Nor will the without lowering wages fall be stopped at any point, short of that which either by its physical or its moral operation, checks the increase of population In no old country, therefore, does population increase at anything like its utmost rate, in most, at a very moderate rate in some countries not at all These facts are only to be accounted for in two ways Either the whole number of births which nature admits of and which happen in some circumstances, do not take place, or if they do, a large proportion of those who are born, die tardation of increase results either from mortality or prudence, from Mr Malthus's positive, or from his preventive check and one or the other of these must and does exist, and very power fully too, in all old societies Wherever population is not kept down by the pru dence either of individuals or of the state it is kept down by starvation or disease

Mr Malthus has taken great pains to ascertain, for almost every country in the world, which of these checks it is that operates and the evidence which he collected on the subject, it his Essay on Population, may ever now be read with advantage Through out Asia, and formerly in most Euro pean countries in which the labouring classes were not in personal bondage there is, or was, no restrainer of popu lation but death The mortality wa not always the result of poverty muol of it proceeded from unskilful and care less management of children, from ur cleanly and otherwise unhealthy habit of life among the adult population, an from the almost periodical occurrence of destructive epidemics. Throughou lincrease of capital is slackened Be- | Europe these causes of shortened his

have much diminished but they have nd reason to exist Until a period not terr remote, handly any of our fir e teurs kept up its population, in desendently of the strong always tox-rg into them from the rural dir that the we sull the of Incorpol until very recently, and even in Lonum the meriality is larger, and the arem a deman of his sherier, than rie of directs where there is much prover process. In Iroland, epid mic terers, and death a from the extraction es the consistence by insufficient than out their minists become their expetting a production detained of the grasin crop Secretbeless, it cannot row in end that many part of Lumpe, pn a main principal v kept down ky Li dease, rull like li a arrai on, either 2 in direct or in an indirect from the an ener by which is in inited is chiefr preventive, ret (in the larguage of Mr. Melthes) per tive. But the prerentire remedy sold m, I believe, conrate in the unvided operation of andential motives on a clies wholly is mainly confield of labourers for bire, and laking forward to no other let In Ingland, for example, I much doubt if the generality of agricultural late mere produce and producted re-remot whatever. They generally marry as early, and have as many c'aldren to a marriage, as they would er could do if they were rettlers in the United States - Linning the generation which preceded the concernent of the present Poor Law, they received the meet direct encouragement to this rort of improvidence being not only as sured of support, on easy terms, whenever out of employment, but even when in employment, very commonly recerring from the parish a weel ly allow ance proportioned to their number of children, and the married with large families being always, from a shortrighted economy, employed in preference to the unmarried, which last premium on population still exists Under such prompting, the rural labourors acquired habits of recklessneas, which are so congonial to the uncultivated mind, that in whatever manner produced, they in general long

survive their immediate causes. There are so many new elements at work in somety, even in those deeper strata which are macresable to the mere novements on the surface, that it is leazardous to affirm anything positive on the mental state or practical unpulses of classes and bodies of men. when the same assertion may be true to-day, and may require great modifi ention in a few years time. It does however, som that if the rate of in crease of pepulation depended solely on the agricultural labourers, it would, as far as dependent on births, and un less repressed by deaths, be as rapid in the southern countries of Ingland as in America. The restraining principle lies in the very great proportion of the population composed of the mid lie classes and the skilled artizans, who in this country almost equal in number the common labourers, and on whem pradential motives do, in a conaiderable degree, operato

£ 4 Where a labouring class who? have no property but their daily wages, I and no hope of acquiring it refrain from over ripid multiplication, the cause, I believe, has always hitherto been, either actual legal restraint, or a custom of some sort which, without intention on their part, insensibly moulds their conduct, or affords imme-; diate inducements not to marry not generally known in how many countries of I urope direct legal obstreles are opposed to improvident marriages The communications made to the original Poor Law Commission by our foreign ministers and consuls in different parts of Lurope, contain a considerable amount of information on this subject. Mr Senior, in his preface to those communications,* says that in the countries which recognise a legal right to relief, "marriage on the part of persons in the actual receipt of relief appears to be everywhere prolit bited, and the marriage of those who are not likely to possess the means of independent support is allowed by very

* Forming an Appendix (F) to the General Report of the Commissioners and also published by authority as a separate volume. few Thus we are told that in Norway no one can many without 'showing, to the satisfaction of the clergyman, that he is permanently settled in such a manner as to offer a fair prospect that he can mamtain a family'

"In Mecklenburg, that 'marriages are delayed by conscription in the twenty-second year, and military service for six years, besides, the parties must have a dwelling, without which a clergyman is not permitted to marry them. The men marry at from twenty five to thirty, the women not much earlier, as both must first gain by service enough to establish themselves'

"In Saxony, that 'a man may not marry before he is twenty-one years old, if hable to serve in the army In Dresden, professionists (by which word artizans are probably meant) may not marry until they become masters in

their trade

"In Wurtemberg, that 'no man is allowed to marry till his twenty fifth year, on account of his military duties, unless permission be especially obtained or purchased at that age he must also obtain permission, which is granted on proving that he and his wife would have together sufficient to maintain a family or to establish themselves, in large towns, say from 800 to 1000 florins (from 66l. 13s 4d to 84l 3s 4d), in smaller, from 400 to 500 florins in villages, 200 florins (16l. 13s 4d)'"**

The minister at Munich says, "The great cause why the number of the poor is kept so low in this country arises from the prevention by law of marriages in cases in which it cannot be proved that the parties have reason able means of subsistence, and this regulation is in all places and at all times strictly adhered to The effect of a constant and firm observance of this rule has, it is true, a considerable influence in keeping down the popula tion of Bavaria, which is at present low for the extent of country, but it has a most salutary effect in averting extreme poverty and consequent misery "+

* Preface, p xxxix.

† Preface p xxxiii., or p 554 of the Appendix itself.

At Lubeck, "marriages among the poor are delayed by the necessity a man is under, first, of previously proving that he is in a regular employ, work, or profession, that will enable him to maintain a wife and secondly of becoming a burgher, and equipping himself in the uniform of the burgher guard, which together may cost him nearly 41" At Frankfort, "the government prescribes no age for marrying, but the permission to marry is only granted on proving a hyelihood";

The allusion, in some of these statements, to military duties, points out an indirect obstacle to marriage, in terposed by the laws of some countries in which there is no direct legal restraint. In Prussia, for instance, the institutions which compel every ablebodied man to serve for several years in the army, at the time of life at which imprudent marriages are most likely to take place, are probably a full equivalent, in effect on population, for the legal restrictions of the smaller

German states "So strongly," says Mr Kay, "do the people of Smitzerland understand from experience the expediency of their sons and daughters postponing the time of their marriages, that the coun cils of state of four or five of the most democratic of the cantons, elected, be it remembered, by universal suffrage, have passed laws by which all young persons who marry before they have proved to the magistrate of their district that they are able to support a family, are rendered liable to a heavy In Lucerne, Argovie, Unterwalden, and I believe, St. Gall, Schweitz, and Uri, laws of this character have been in force for many years #

§ 5 Where there is no general law restrictive of marriage, there are often customs equivalent to it. When the guilds or trade corporations of the Middle Ages were in vigour, their byelaws or regulations were conceived with a very vigilant eye to the advantage which the trade derived from limiting competition and they made

^{*} Appendix, p 419 + Ibid. p 567 ‡ Kay, as before cited, i 68

It very effectually the interest of artirans not to marry until after passing through the two stages of apprentice and journeyman, and attaining the rank of master * In Norway, where the labour is chiefly agricultural, it is forbidden to engage a farm servant for less than a year, which was the general Luglish practice until the poor laws destroyed it, by enabling the farmer to cast his labourers on parish pay whenever he did not immediately require their labour. In consequence of this custom, and of its enforcement by law, the whole of the rather limited class of agricultural labourers in Norway have an engage ment for a year at least, which if the parties are content with one another, naturally becomes a permanent engage ment hence it is known in every neighbourhood whether there is, or is likely to be, a vacancy, and unless there is, a young man does not marry, knowing that he could not obtain em ployment The custom still exists in

/ " "In general," says Sismondi, "the num ber of masters in each corporation was fixed, and no one but a master could keep a shop, or buy and sell on his own account. Each master could only train a certain number of apprentices, whom he instructed in his trade. in some corporations he was only allowed Each master could also employ only a limited number of workmen, who were called companions, or journeymen and in the trades in which he could only take one ap and in the prentice, he was only allowed to have one, or at most two journeymen. No one was allowed to buy, sell, or work at a trade, unless he was either an apprentice, a journeyman, or a master, no one could become a journey man without having served a given number of years as an apprentice, t or a master, un less he had served the same number of years as a journeyman, and unless he had also executed what was called his chef d outere, (masterpiece) a piece of work appointed in his trude, and which was to be judged of by the corporation It is seen that this organi ration threw entirely into the hands of the masters the recruiting of the trade. They alone could take apprentices but they were not compelled to take any, accordingly they required to be paid, often at a very high rate, for the favour, and a young man could not enter into a trade if he had not, at starting, the sum required to be paid for his ap prenticesnip, and the means necessary for his support during that apprenticeship, since for four, five, or soven years, all his work pelonged to his master His dependence on the master during that time was complete; for the masters will, or even caprice, could

Cumberland and Westmoreland, except that the term is half a year instead of a year, and seems to be still attended with the same consequences farm servants are "lodged and boarder in their masters' houses, which the seldom leave until, through the deatl of some relation or neighbour, they succeed to the ownership or lease of a cottage farm What is called surplus labour does not here exist " I have mentioned in another chapter the check to population in England during the last century, from the difficulty of obtaining a separate dwelling place t Other customs restrictive of population might be specified in some parts of Italy, it is the practice, according to Sismondi, among the poor, as it is well known to be in the higher ranks, that all but one of the sons remain unmar ried But such family arrangements are not likely to exist among day labourers They are the resource of small proprietors and metayers, for preventing too minute a subdivision of the land.

close the door of a lucrative profession upon him After the apprentice became a journey man he had a little more freedom; he could engage with any master he chose, or pass from one to another; and as the condition of a journeyman was only accessible through apprenticeship, he now began to profit by the monopoly from which he had previously suffered, and was almost sure of getting well paid for a work which no one clas was allowed to perform He depended, however, on the corporation for becoming a master, and did not, therefore, regard himself as being yet assured of his lot, or as having a permanent position. In general he did not marry until he had passed as a mas

It is certain both in fact and in theory that the existence of trade corporations hin dered, and could not but hinder, the birth of a superabundant population. By the statutes of almost all the guilds, a man could not pass as a master before the age of twenty five : but if he had no capital of his own, if he had not made sufficient savings, he continued to work as a journeyman much longer; some, perhaps the majority of artisans, remained journeymen all their lives. There was, however, scarcely an instance of their marry ing before they were received as masters: had they been so imprudent as to desire it, no father would have given his daughter to a man without a position "—New Principles of Political Economy, book iv , ch. 10 See also Adam Smith, book i , ch. 10, part 2.

* See Thornton on Over-Population, page

18, and the authorities there cited.

† Supra, p 90

In England generally there is now Fearcely a relie of these indirect checks to population, except that in parishes lowned by one or a very small number of landowners the increase of resident labourers is still occasionally obstructed, by preventing cottages from being built, or by pulling down those which exist, thus restraining the population hable to become locally chargeable, without any material effect on popula tion generally, the work required in those parishes being performed by labourers settled elsewhere rounding districts always feel them selves much aggreed by this practice, against which they cannot defend themselves by similar means, since a single acre of land owned by any one who does not enter into the combination, enables him to defeat the attempt, very profitably to himself, by covering To meet that acre with cottages these complaints it has already been under the consideration of Parliament to abolish parochial settlements, and make the poor rate a charge not on the parish, but on the whole umon If this proposition be adopted, which for other reasons is very desirable, it will remove the small remnant of what was once a check to population the value of which, however, from the narrow limits of its operation, must now be considered very trifling

§ 6 In the case, therefore, of the common agricultural inbourer, checks to population may almost be considered as non-existent growth of the towns, and of the capital - there employed, by which the factory operatives are maintained at their present average rate of wages notwith standing their rapid increase, did not also absorb a great part of the annual addition to the rural population, there seems no reason in the present habits of the people why they should not fall into as miscrable a condition as the Insh previous to 1846, and if the market for our manufactures should. I do not say fall off, but even cease to expand at the rapid rate of the last fifty years, there is no certainty that this fate may not be reserved for no

Without carrying our anticipations forward to such a calamity, which the great and growing intelligence of the factory population would, it may be hoped, avert, by an edaptation of their halita to their circumstances, the existing condition of the Inhousers of some of the most exclusively agricul tural countries, Willishim, Sometimetelure, Dorsetshire, Balfonlehire, Back inglamshire, is sufficiently painful to contemplate. The labourers of these countries, with large families, and eight or perhaps nine shillings for their weekly wages when in full umployment, have for some time been one of the stock objects of popular companien it is time that ther had the benefit allo of some application of common senge

Unhappily, rentimentality rathers than common renes certify presides over the discussion of these subjects, and while there is a growing sensitive. nees to the hardships of the poor, and a ready disposition to admit claims in them upon the good offices of other people, there is an all but universal unwillingness to face the real difficulty of their position, or advert at all to the n shem and sautan douby enorthmoo dispensable to the improvement of their physical lot. Discussions on the condition of the labourers, lamenta tions over its writchedness, denunciations of all who are supposed to be in different to it projects of one kind or another for improving it, were in no country and in no time of the world so rife as in the present generation, but j there is a tacit agreement to ignore; totally the law of wages, or to dismiss it in a parenthesis, with such terms as "hard hearted Malthusianism," as if it were not a thousand times more bard hearted to tell human beings that they may, than that they may not, call into existence swarms of creatures who are sure to be miserable, and most likely to be depraced, and forgetting that the conduct, which it is reckoned so cruel to disapprove, is a degrading slavery to a brute instinct in one of the persons concerned, and most com monly, in the other, helpless submis sion to a revoluing abuse of power

So long as mankind remained in a l some barbarous state, with the indolence and the few wants of the savage, it probably was not desirable that popu-I lation should be restrained the pressure of physical want may have been a necessary stimulus, in that stage of the human mind, to the exertion of labour and ingenuity required for accomplishing that greatest of all past changes in human modes of existence, by which industrial life attained predominance over the hunting, the pastoral, and the military or predatory state Want, in that age of the world, +state had its uses, as even slavery had, and there may be corners of the earth where those uses are not yet superseded, though they might easily be so ivere a helping hand held out by more civilized communities But in Europe the time, if it ever existed, is long past, when a life of privation had the smallest tendency to make men either better workmen or more civilized beings It is, on the contrary, evident, that if the agricultural labourers were better off, they would both work more effi-I ask, ciently, and be better citizens then, is it true, or not, that if their numbers were fewer they would obtain higher wages? This is the question, and no other and it is idle to divert attention from it, by attacking any incidental position of Malthus or some other writer, and pretending that to refute that, is to disprove the principle of population Some, for instance, have achieved an easy victory over a passing remark of Mr Malthus, haarded chiefly by way of illustration, that the increase of food may perhaps be assumed to take place in an arithmetical ratio, while population increases in a geometrical when every candid reader knows that Mr Malthus laid no stress on this unlucky attempt to give numerical precision to things which do not admit of it, and every person capable of reasoning must see that it is wholly superfluous to his Others have attached im argument. mense importance to a correction which more recent political economists have made in the mere language of the earlier followers of Mr Malthus Seve-

ral writers have said that it is thei tendency of population to increase faster than the means of subsistence The assertion was true in the sense in which they meant it, namely that population would in most circumstances increase faster than the means of subsistence, if it were not checked either by mortality or by prudence asmuch as these checks act with unequal force at different times and places, it was possible to interpret the language of these writers as if they had meant that population is usually gaining ground upon subsistence, and the poverty of the people becoming greater Under this interpretation of their meaning, it was urged that the reverse is the tinth that as civiliza tion advances, the prudential check tends to become stronger, and population to slacken its rate of increase, relatively to subsistence, and that it is an error to maintain that popula tion, in any improving community, tends to increase faster than, or even so fast as, subsistence The word tendency is here used in a totally dif The word ferent sense from that of the Wilters who aftirmed the proposition wanting the verbal question, is it not allowed on both sides, that in old countries, population presses too closely upon the means of subsistence? And though its pressure diminishes, the more the id as and habits of the poorest class of labourers can be improved, to which it is to be hoped that there is always some tendency in a progressive country, yet since that tendency has hitherto been, and still is, extremely faint, and (to descend to particulars) has not yet extended to giving to the Wiltshire labourers higher wages than eight shillings a week, the only thing which it is necessary to consider 18, whether that is a sufficient and suitable provision for a labourer? for if not, population does, as an existing fact, bear too great a proportion to the wages fund, and whether it pressed still harder or not quite so hard at some former period, is practically of no moment, except that, if the ratio is an improving one, there is the better hope that by proper aids and en

couragements it may be made to im

prove more and faster

It is not, however, against reason, that the argument on this subject has to struggle, but against a feeling of dislike, which will only reconcile itself to the unwelcome truth, when every device is exhausted by which the recognition of that truth can be evaded At is necessary, therefore, to enter into 15 sa detailed examination of these devices, and to force every position which is taken up by the enemies of the population principle, in their determination to find some refuge for the labourers, some plausible means of improving their condition, without requiring the exercise, either enforced or voluntary, of any self-restraint, or any greater control than at present over the animal power of multiplication This will be the object of the next chapter

CHAPTER XII.

OF POPULAR REMEDIES FOR LOW WAGES

THE simplest expedient which can be imagined for keeping the wages of labour up to the desirable point, would be to fix them by law and this is virtually the object aimed at in a variety of plans which have at different times been, or still are, current, for remodelling the relation between labourers and employers No one prohably ever suggested that wages should be absolutely fixed, since the interests of all concerned, often require that they should be variable, but some have airoposed to fix a minimum of wages, Beaving the variations above that point to be adjusted by competition Another plan, which has found many advocates hamong the leaders of the operatives, is) that councils should be formed, which in England have been called local boards of trade, in France "conseils de prud'i hommes," and other names, consisting of delegates from the workpeople and from the employers, who, meeting in conference, should agree upon a rate of wages, and promulgate it from authority, to be binding generally on employers and workmen, the ground of decision being, not the state of the labour market, but natural equity, to provide that the workmen shall have reasonable wages, and the capitalist reasonable profits

Others again (but these are rather philanthropists interesting themselves

labouring people themselves) are shy of admitting the interference of authority in contracts for labour they fear that if law intervened, it would intervene rashly and ignorantly, they are convinced that two parties, with opposite interests, attempting to adjust the e interests by negotiation through their representatives on principles of equity, when no rule could be laid down to determine what was courtable, would merely exasperate their dif ferences instead of healing them, but what it is usoless to attempt by the legal sanction, these persons desire to compass by the moral Every em player, they think, ought to give sufficient wages, and if he does it not wil lingly, should be compelled to it by general opinion, the test of sufficient wages being their own feelings, or n hit they suppose to be those of the public. This is, I think, a fair representation of a considerable body of existing opa mion on the subject

I desire to confine my remarks to the principle involved in all these sug gestions, without taking into account practical difficulties, serious as these must at once be seen to be I shall suppose that by one or other of these contrivances, wages could be kept above the point to which they would be brought by competition as much as to say, above the highest for the labouring classes, than the late which can be afforded by the

existing capital consistently with emploving all the labourers For it is a mistake to suppose that competition merely keeps down wages equally the means by which they are When there are any labourkept up ers unemployed, these, unless mainthined by charity, become competitors for hire, and wages fall, but when all who were out of work have found employment, wages will not, under the freest system of competition, fall lower There are strange notions affoat concerning the nature of competition Some people seem to imagine that its effect is something indefinite, that the competition of sellers may lower prices, and the competition of la bourers may lower wages, down to zero, or some unassignable minimum Nothing can be more unfounded Goods can only be lowered in price by competition, to the point which calls forth buyers sufficient to take them off, and wages can only be lowered by competition until room is made to admit all the labourers to a share in the distribution of the wagesfund. If they fell below this point, a portion of capital would remain unemployed for want of labourers, counter-competition would commence on the side of capitalists, and wages would rise

Since, therefore, the rate of wages which results from competition disiributes the whole wages fund among the whole labouring population, if law or opinion succeeds in hxing wages above this rate, some labourers are kept out of employment, and as it is not the intention of the philanthropists that these should starve, they must be provided for by a forced increase of the wages-fund, by a compulsory saving It is nothing to fix a minimum of wages, unless there be a provision that work, or wages at least, be found for all who apply for it. This, accordingly, is always part of the scheme, and is consistent with the ideas of more people than would approve of either a legal or a moral minimum of wages Popular sentiment looks upon it as the duty of the rich, or of the state, to find employment for all the poor If the moral influence of opinion does not induce the rich to spare from their consumption enough to set all the poor to work at "reasonable wages," it is supposed to be incumbent on the state to lay on taxes for the purpose, either by local rates or votes of public money. The proportion between labour and the wages-fund would thus be modified to the advantage of the labourers, not by restriction of population, but by an increase of capital.

If this claim on society could! be limited to the existing generation, if nothing more were necessary than a compulsory accumulation, sufficient to provide permanent employment at ample wages for the existing numbers of the people, such a proposition would? have no more strenuous supporter than ' myself. Society mainly consists of those who live by bodily labour, and if society, that is, if the labourers, lend their physical force to protect individuals in the enjoyment of superfluities, they are entitled to do so, and have always done so, with the reservation of a power to tax those superfluties for purposes of public utility, among which purposes the subsistence of the people is the foremost. Since no one is responsible for having been born, no pecuniary sacrifice is too great to be made by those who have more than enough, for the purpose of securing enough to all persons already in existence

But it is another thing altogether, when those who have produced and accumulated are called upon to abstain from consuming, until they have given food and clothing, not only to all who now exist, but to all whom these or their descendants may think fit to call ! into existence Such an obligation acknowledged and acted upon, would sus pend all checks, both positive and preventive, there would be nothing to hinder population from starting forward at its rapidest rate, and as the natural increase of capital would, at the best, not be more rapid than before, taxation, to make up the growing deficiency, must advance with the same gigantic strides The attempt would

of course be made to exact labour in exchange for support But experience has shown the sort of nork to be ex pected from recipients of public cliarity When the pay is not given for the sake lof the work, but the work found for the sake of the pay, meflick ney is a matter of certainty to extract real work from day labourers without the power of dismissal, is only practicable by the power of the lash. It is conceival le, doubtless, that this objection might be got over. The fund raised by tax ation might be spread over the labour market generally, as seems to be in tended by the supporters of the 'right to employment" in I rance without giving to any unemployed labourer a right to demand support in a particular place or from a parti-ular functionary power of dismissal, as negards individual labourers, would then remain, the government only un crtaking to create additional employment when there was a deficiency, and reserving, like other employers, the choice of its own workpeople But let them work ever so efficiently, the increasing population could not, as we have so often shown, increase the produce proportionally the surplus, after all were fed, would bear a less and less propor tion to the whole produce and to the population and the inciense of people going on in a constant ratio, while the increase of produce went on in a di minishing ratio, the surplus would in time be wholly absorbed, taxation for the support of the poor would engross the whole income of the country, the payers and the receivers would melted down into one mass check to population either by death or prudence, could not then be staved off any longer, but must come into opera tion suddenly and at once, everything | which places mankind above a nest of ants or a colony of beavers, having perished in the interval

These consequences have been so soften and so clearly pointed out by authors of reputation, in writings known and accessible, that ignorance of them on the part of educated persons is no longer pardonable. It is doubly discreditable in any person setting up for

a public teacher, to ignore these considerations, to dismiss them slicitly, and discuss or declaim on wages and pour laws, not as if these arguments could be refuted, but as if they did not

Lvery one has a right to live will suppose this granted But no one, has a right to bring creatures into life, to be supported by other prople. Who: ever means to stand upon the first of these rights must renounce all preten cion to the last If a man cannot support even lamself unless others help hum, those others are entitled to say first they do not also undertake the support of any o'lapping which it is physically possible for him to summon into the world Let there are abun dance of writers and public aprakers, including many of most estentations pretensions to high feeling whose views of life are so truly brutish that they sce handaling in prevening paupers from breading hereditary paupers in the workhouse itself Posterity will one day ask with astonishment, what sort of people it could be amone whom such preachers could find proselytes.

It would be possible for the state to guarantee employment at ample waget to all who are born. But if it does this it is bound in self-protection, and for the sale of every purpo r for which government exists, to provide that no person shall be born without its consent If the ordinary and spentaneous mo tives to self-restraint are removed. others must be substituted tions on marriage, at least equivalento those existing in some of the German States, or severe penalties on those who have children when unable to support them, would then be indispensable Society can feed the necessitous, if it takes their multiplication under its control, or (if destitute of all moral feeling for the wretched offspring) it can leave the last to their discretion, abandoning the first to their own care But it cannot with impunity take the feeding upon itself, and leave the multiplying free

To give profusely to the people, whether under the name of charity or of employment, without placing them

motives shall act powerfully upon them, lifts to lavish the means of benefiting Umankind, without attaining the object Leave the people in a situation in which their condition manifestly depends upon their numbers, and the greatest permanent benefit may be derived from any sacrifice made to improve the physical well being of the present generation, and raise, by that means, the habits of their children But remove the regulation of their wages from their own control, guarantee to them a certain payment, either by law, or by the feeling of the community, and no amount of comfort that you can give them will make either them or their descendants look to their own self restraint as the proper means for preserving them in that You will only make them indignantly claim the continuance of your guarantee, to themselves and their full complement of possible posterity On these grounds some writers have altogether condemned the English poor law, and any system of relief to the able bodied, at least when uncom bined with systematic legal precautions against over population The famous Act of the 43d of Elizabeth undertook, on the part of the public, to provide work and wages for all the destitute able bodied and there is little doubt that if the intent of that Act had been fully carried out, and no means had been adopted by the administrators of relief to neutralize its natural tendencies, the poor rate would by this time have absorbed the whole net produce of the land and labour of the country It is not at all surprising, therefore, that Mr Malthus and others should at first have concluded against all poorlaws whatever It required much experience, and careful examination of different modes of poor-law management, to give assurance that the admission of an absolute right to be supported at the cost of other people, could exist in law and in fact, without fatally relaxing the springs of industry and This, howthe restraints of prudence ever, was fully substantiated, by the

i under such influences that prudential | Commissioners Hostile as they are unjustly accused of being to the principle of legal relief, they are the first who fully proved the compatibility of any Poor Law in which a right to relief was recognised, with the perma nent interests of the labouring class and of posterity By a collection of facts, experimentally ascertained in parishes scattered throughout England. it was shown that the guarantee of support could be freed from its injurious effects upon the minds and habits of the people, if the relief, though ample in respect to necessaries, was accompanied with conditions which they dis liked, consisting of some restraints on their freedom, and the privation of some indulgences Under this proviso, it may be regarded as irrevocably established, that the fate of no member of the community needs be abandoned to chance, that society can, and therefore ought to ensure every individual belonging to it against the extreme of want, that the condition even of those who are unable to find their own support, needs not be one of physical sufforing, or the dread of it, but only of restricted indulgence, and enforced rigidity of discipline. This is surely something gained for humanity, important in itself, and still more so as a step to something beyond, and hu manty has no worse enemies than those who lend themselves, either knowingly or unintentionally, to bring odium on this law, or on the principles in which it originated.

Next to the attempts to regulate wages, and provide artificially that all who are willing to work shall receive an adequate price for their labour, we have to consider another. class of popular remedies, which do not profess to interfere with freedom of contract, which leave wages to be fixed by the competition of the market, but, when they are considered insufficient, endeavour by some subsidiary resource to make up to the labourers for the insufficiency Of this nature was the expedient resorted to by parish authorities during thirty or investigations of the original Poor Law | forty years previous to 1834, generally

known as the Allowance System This was first introduced, when, through a succession of bad seasons, and consequent high prices of food, the wages of labour had become inadequate to afford to the families of the agricultural labourers the amount of support to which they had been accustomed. Sentiments of humanity, joined with the idea then inculcated in high quarters, that people ought not to be allowed to suffer for having enriched their country with a multitude of inhabitants, induced the magistrates of the rural districts to commence giving parish relief to persons already in private employment, and when the practice had once been sanctioned, the immediate interest of the farmers. whom it enabled to throw part of the support of their labourers upon the other inhabitants of the parish, led to a great and rapid extension of it principle of this scheme being avowedly that of adapting the means of every family to its necessities, it was a natural consequence that more should be given to the married than to the single, and to those who had large families than to those who had not in fact, an allowance was usually granted for evers child So direct and positive an encouragement to population is not, however, inceparable from the scheme the allowance in aid of wages might be a fixed thing given to all labourers alike, and as this is the least objectionable form which the system can assume, we will give it the benefit of the supposition. It is obvious that this is merely

another mode of fixing a minimum of wages, no otherwise differing from the direct mode, than in allowing the employer to buy the labour at its market price, the difference being made up to the labourer from a public fund. The one lind of guarantee is open to all the objections which have taken urged against the other. It promises to the labourers that they shall all have a certain amount of wages, however numerous they may be and removes, therefore, alike the positive and the prudential obstacles to an unlimited increase. But besides the

objections common to all attempts to regulate wages without regulating population, the allowance system has a peculiar absurdity of its own. is, that it inevitably takes from wages with one hand what it adds to them with the other There is a rate of wages, either the lowest on which the people can, or the lowest on which they will consent, to live We will suppose this to be seven shillings a week. Shocked at the wretchedness of this pittance, the parish authorities humanely make it up to ten labourers are accustomed to seven, and though they would gladly have more, will live on that (as the fact proves) rather than restrain the instinct of Their habits will not multiplication be aftered for the better by giving them parish pay Receiving three shillings from the parish, they will be as well off as before though they should increase sufficiently to bring down wages to four shillings They will accordingly people down to that point, or perhaps, without waiting for an increase of numbers, there are un employed labourers enough in the workhouse to produce the effect at once It is well known that the allow ance system did practically operate in the mode described, and that under its influence wages sank to a lower rate than had been known in England before During the last century, under a rather rigid administration of the poor laws, population increased slowly, and agricultural wages were considerably above the starvation Under the allowance system the people increased so fast, and wages! sank so low, that with wages and allowance together, families were worse off than they had been before with wages alone When the labourer depends solely on wages, there is a virtual minimum If wages fall below the lowest rate which will enable the population to be kept up, depopulation at least restores them to that lowest But if the deficiency is to be made up by a forced contribution from all who have anything to give, wages may full below starvation point they may fall almost to zero. This deplorable system, worse than any other form of poor law abuse yet invented, masmuch as it pauperizes not merely the unemployed part of the population but the whole, has been abolished, and of this one abuse at least it may be said that nobody professes to wish for its revival

But while this is (it is to be hoped) exploded, there is another mode of relief in aid of wages, which is still highly popular, a mode greatly preferable, morally and socially, to parish allowance, but tending, it is to be feared, to a very similar economical result. I mean the much-boasted Allotment System This, too, is a contrivance to compensate the labourer to: the insufficiency of his wages, by giving him something else as a supplement to them but instead of having them made up from the poor-rate, he is enabled to make them up for himself, by renting a small piece of ground, which he cultivates like a garden by spade labour, raising potatoes and other vegetables for home consump tion, with perhaps some additional quantity for sale. If he hires the ground ready manured, he sometimes pays for it at as high a rate as eight pounds an acre but getting his own labour and that of his family for nothing, he is able to gain several pounds by it even at so high a rent * The 1) patrons of the system make it a great point that the allotment shall be in aid of wages, and not a substitute for them, that it shall not be such as a labourer can live on, but only sufficient to occupy the spare hours and days of a man in tolerably regular agricultural employment, with assistance from his wife and children They usually limit the extent of a single allotment to a quarter, or something between a quarter and half an acre If it exceeds this, without being enough to occupy him entirely, it will make him, they say, a bad and uncertain workman for hire if it is sufficient to take him entirely out of the class of hired

* See the Evidence on the subject of Allotments, collected by the Commissioners of Poor Law Enquiry. labourers, and to become his sole means of subsistence, it will make him an Irish cottier for which assertion at the enormous rents usually demanded, there is some foundation But in their precautions against cot tierism, these well meaning persons du not perceive, that if the system they patronize is not a cottier system, it is, in essentials, neither more nor less than a system of conacre

There is no doubt a material diffe rence between eking out insufficient wages by a fund raised by taxation, and doing the same thing by means which make a clear addition to the gross produce of the country is also a difference between helping a labourer by means of his own industry, and subsidizing him in a mode which tends to make him careless and idle On both these points, allotments have an unquestionable advantage over parish allowances But in their effect on wages and population, I see no reason why the two plans should substantially differ All subsidies in aid of wages enable the labourer to do with less remuneration, and therefore ultimately bring down the price of labour by the full amount, unless a change be wrought in the ideas and requirements of the labouring class, alteration in the relative value which they set upon the gratification of their instincts, and upon the increase of their comforts and the comforts of those connected with them That any such change in their character should be produced by the allotment system, appears to me a thing not to be expected. The possession of land, we are sometimes fold, renders the la-Property in land bourer provident. does so, or what is equivalent to property, occupation on fixed terms and on a permanent tenure But mere hiring from year to year was never found to have any such effect. Did possession of land render the Irishman provident? Testimonies, it is true, abound, and I do not seek to discredit them, of the beneficial change produced in the conduct and condition of labourers, by receiving allotments Such an effect is to be expected while

tuose who hold them are a small num ber, a privileged class, having a status above the common level, which they are unwilling to lose They are also, no doubt, almost always, originally a select class, composed of the most favourable specimens of the labouring which, however, is attended people with the inconvenience, that the persons to whom the system facilitates marrying and having children, are precisely those who would otherwise be the most likely to practise prudential restraint. As affecting the general condition of the labouring class, the scheme, as it seems to me, must be either nugatory or mischievous. If only a few labourers have allotments, they are naturally those who could do best without them, and no good is done to the class while, if the system were general, and every or almost every labourer had an allotment, I believe the effect would be much the same as when every or almost every labourer had an allowance in aid of wages I think there can be no doubt that if, at the end of the last century, the Allotment instead of the Allowance system had been generally adopted in England, it would equally have broken down the practical restraints on population which at that time did really exist, population would have started forward exactly as in fact it did, and in twenty years, wages plus the allotment would have been, as wages plus the allow ance actually were, no more than equal to the former wages without any allot-The only difference in favour of allotments would have been, that they make the people grow their own poor rates

I am at the same time quite ready to allow, that in some circumstances, the possession of land at a fair rent, even without ownership, by the generality of labourers for hire, operates as a cause not of low, but of high wages. This, however, is when their land renders them, to the extent of actual necessaries, independent of the market for labour. There is the greatest difference between the position of people who live by wages, with land as an extra resource, and of people who can

in case of necessity, subsist entirely on their land, and only work for hire to add to their comforts Wagos are likely to be high where none are com pelled by necessity to sell their labour! "People who have at home some kind of property to apply their labour to, will not sell their labour for wages that do not afford them a better diet than potatoes and maize, although in saving for themselves, they may live very much on potatoes and maize We are often surprised in travelling on the Continent, to hear of a rate of day's wages very high, considering the abundance and cheapness of food is want of the necessity or inclina tion to take work, that makes day labour scarce, and, considering the price of provisions, dear, in many parts of the Continent, where property in land is widely diffused among the people "# There are parts of the Continent where, even of the inhabitants of the towns, scarcely one seems to be exclusively dependent on his ostensible employment, and nothing else can explain the high price they put on their services, and the carelessness they evince as to whether they are em But the effect would be ployed at all far different if their land or other resources gave them only a fraction of a subsistence, leaving them under an undiminished necessity of selling their labour for wages in an overstocked market Their land would then merely enable them to exist on smaller wages. and to carry their multiplication so much the further before reaching the point below which they either could not or would not, descend

To the view I have taken of the effect of allotments, I see no argument which can be opposed, but that employed by Mr Thornton,† with whom on this subject I am at issue His defence of allotments is grounded on the general doctrine, that it is only the very poor who multiply without regard to consequences, and that if the condition of the existing generation could be greatly improved, which he thinks

^{*} Laing s Notes of a Traveller, p 456
† See Thornton on Over Population, ch.

might be done by the allotment system. their successors would grow up with an increased standard of requirements. and would not have families until they could keep them in as much comfort as that in which they had been brought up themselves I agree in as much of this argument as goes to prove that a sudden and very great improvement in the condition of the poor, has always, through its effect on their habits of life, a chance of becoming permanent. What happened at the time of the French Revolution is an example But I cannot think that the addition of a quarter or even half an acre to every Inbourer's cottage, and that too at a rack rent, would (after the fall of wages which would be necessary to absorb the already existing mass of pauper labour) make so great a difference in the comforts of the family for a gene ration to come, as to raise up from childhood a labouring population with a really higher permanent standard of requirements and liabits So small a portion of land could only be made a permanent benefit, by holding out encouragement to acquire by industry and saving, the means of buying it outright a permission which, if exten gively made use of, would be a kind of

education in forethought and frugality to the entire class, the effects of which inight not cease with the occasion. The benefit would however arise, not from what was given them, but from what they were stimulated to acquire

No remedies for low wages have the smallest chance of being efficacious, which do not operate on and through the minds and habits of the people While these are unaffected, any contrivance, even if successful, for temporarrly improving the condition of the very poor, would but let slip the reins by which population was previously curbed, and could only, therefore, con tinue to produce its effect, if, by the whip and spur of taxation, capital were compelled to follow at an equally accelerated pace But this process could not possibly continue for long together, and whenever it stopped, it would leave the country with an increased number of the poorest class, and a diminished proportion of all except the poorest, or, if it continued long enough, with none at all "to this complexion must come at last" all social arrangements, which remove the natural checks to popula 7 tion without substituting any others

CHAPTER XIIL

THE REMEDIES FOR LOW WAGES FURTHER CONSIDERED

§ 1 By what means, then, is poverty to be contended against? How is the evil of low wages to be remeded? If the expedients usually recommended for the purpose are not adapted to it, can no others be thought of? Is the problem incapable of solution? Can political economy do nothing, but only object to everything, and demonstrate that nothing can be done?

If this were so, political economy might have a needful, but would have a melancholy, and a thankless task. If the bulk of the human race are

always to remain as at present, slaves to toil in which they have no interest, and therefore feel no interest—drudging from early morning till late at night for bare necessaries, and with all the intellectual and moral deficiencies which that implies—without resources either in mind or feelings—untaught, for they cannot be better taught than fed, selfish, for all their thoughts are required for themselves, without interests or sentiments as citizens and members of society, and with a sense of injustice rankling in their minds, equally for what they have not, and

for what others have. I know not what there is which should make a person with any capacity of reason, concern himself about the destinies of the human race There would be no wisdom for any one but in extracting from life, with Epicurean indifference, as much personal satisfaction to him self and those with whom he sympathizes, as it can yield without injury to any one, and letting the unmeaning bustle of so-called civilized existence roll by unheeded. But there is no ground for such a view of human Poverty, like most social evils, exists because men follow their brute instincts without due consideration But society is possible, precisely because man is not necessarily a brute Civilization in every one of its aspects is a struggle against the animal in stincts Over some even of the strongest of them, it has shown itself capable of acquiring abundant control It has artificialized large portions of mankind to such an extent, that of many of their most natural inclinations they have scarcely a vestige or a remem-If it has not brought the brance left. instinct of population under as much restraint as is needful we must remember that it has never seriously What efforts it has made, have mostly been in the contrary direction. Religion, morality, and statesmanship have vied with one another in incitements to marriage, and to the multiplication of the species, so it be but in wedlock. Religion has not even yet discontinued its encouragements. The Roman Catholic clergy (of any other clergy it is unnecessary to speak, since no other have any considerable influ ence over the poorer classes) everywhere think it their duty to promote marriage, in order to prevent fornica-There is still in many minds a strong religious prejudice against the The nch, provided the true doctrine consequences do not touch them elves, think it impugns the wisdom of Providence to suppose that misery can result from the operation of a natural prothe poor think that "God pensity never sends mouths but he sends meat"

of either, that man had any voice or So complete 18 choice in the matter the confusion of ideas on the whole owing in a great degree to subject the mystery in which it is shrouded by a spurious delicacy, which prefers that right and wrong should be mismeasured and confounded on one of the subjects most momentous to human welfare, rather than that the subject should be freely spoken of and dis-People are little aware of the cost to mankind of this scrupulosity of The diseases of society can; no more than corporal maladies, be prevented or cured without being spoken about in plain language experience shows that the mass of mankind never judge of moral questions for themselves, never see anything to be right or wrong until they have been frequently told it, and who tells them that they have any duties in the matter in question, while they keep within matrimonial limits? Who meets with the smallest condemnation, or rather, who does not meet with sym pathy and benevolence, for any amount of evil which he may have brought upon himself and those dependent on him, by this species of incontinence i While a man who is intemperate in drink, is discountenanced and despised by all who profess to be moral people it is one of the chief grounds made use of in appeals to the benevolent that the applicant has a large family and is unable to maintain them *

One cannot wonder that silence of this great department of human duty should produce unconsciousness of more obligations, when it produces oblivior of physical facts. That it is possible to delay marriage, and to live in abstinence while unmarried, most people are willing to allow but when personare once married, the idea, in this country, never seems to enter any one mind that having or not having a family, or the number of which it shall

dence to suppose that misery can result from the operation of a natural propensity the poor think that "God never sends mouths but he sends meat".

No one would guess from the language

consist, is amenable to their own control (Inc. would imagine that children were rained down upon married people, direct from heaven, without their being art or part in the matter, that it was really, as the common phrases have it, Gcd's will, and not their own, which decided the numbers of their offspring Let us see what is a Continental philosopher's opinion on this point, a man among the most benevolent of his time, and the happiness of whose married life has been celebrated

"When dangerous prejudices," says Sismondi, " have not become accredited, when a morality contrary to our true duties towards others, and especially towards those to whom we have given life, is not inculcated in the name of the most sacred authority, no prudent man contracts matrimony before he is in a condition which gives him an assured means of living, and no married man has a greater number of children than he can properly bring up head of a family thinks, with reason, that his children may be contented with the condition in which he himself has lived, and his desire will be that the rising generation should represent exactly the departing one that one son and one daughter arrived at the marriageable age should replace his own father and mother, that the children of his children should in their turn replace himself and his wife, that his daughter should find in another family the precise equivalent of the lot which will be given in his own family to the daughter of another, and that the moome which sufficed for the parents will suffice for the children." In a country increasing in wealth, some increase of numbers would be admissible, but that is a question of "Whenever detail, not of principle this family has been formed, justice and humanity require that he should impose on himself the same restraint which is submitted to by the unmarried When we consider how small, in every country, is the number of natural children, we must admit that this re straint is on the whole sufficiently effec-

* New Principles of Political Economy, book vil, ch 5

tual. In a country where population has no room to increase, or in which its progress must be so slow as to be hardly perceptible, when there are no places vacant for new establishments, a father who has eight children must expect, either that six of them will die in childhood, or that three men and three women among his cotemporaries, and in the next generation three of his sons and three of his daughters, will remain unmarried on his account."

§ 2 Those who think it hopeless that the labouring classes should be induced to practise a sufficient degree of prudence in regard to the increase of their families, because they have hitherto stopt short of that point, show an mability to estimate the ordinary principles of human action. Nothing more would probably be necessary to secure that result, than an opinion generally diffused that it was desir As a moral principle, such an opinion has never yet existed in any country it is curious that it does not so exist in countries in which, from the spontaneous operation of individual forethought, population is, comparatively speaking, efficiently repressed What is practised as prudence, is still not recognised as duty, the talkers and writers are mostly on the other side, even in France, where a sentimental horror of Malthus is almost as rife as in this country Many causes may be assigned, besides the modern date of the doctrine, for its not having yet gained possession of the general mind. Its truth has, in some respects, been its detriment. One may be permitted to doubt whether, except among the poor themselves (for whose prejudices on this subject there is no diffi culty in accounting) there has ever yet been, in any class of society, a sincere and earnest desire that wages should be high There has been plenty of desire to keep down the poor rate, but, that done, people have been very willing that the working classes should Nearly all who are notal be all off. labourers themselves, are employers of labour, and are not sorry to get the commodity cheap It is a fact, that !

even Boards of Guardians, who are supposed to be official apostles of antipopulation doctrines, will seldom hear patiently of anything which they are pleased to designate as Malthusianism. Boards of Guardians in rural districts, principally consist of farmers, and farmers, it is well known, in general dislike even allotments, as making the labourers "too independent" From the gentry, who are in less immediate contact and collision of interest with the labourers, better things might be expected, and the gentry of England are usually charitable But charitable people have human infirmities, and would, very often, be secretly not a little dissatisfied if no one needed their charity it is from them one oftenest hears the base doctrine, that God has decreed there shall always be poor When one adds to this, that nearly every person who has had in him any active spring of exertion for a social object, has had some favourite reform to effect, which he thought the admission of this great principle would throw into the shade, has had corn laws to repeal, or taxation to reduce, or small notes to issue, or the charter to carry, or the church to revive or abolish, or the aristocracy to pull down, and looked upon every one as an enemy who thought anything important except his object, it is scarcely wonderful that since the population doctrine was first promulgated, mne-tenths of the talk has always been against it, and the remaining tenth only audible at intervals, and that it has not vet penetrated far among those who might be expected to be the least willing recipients of it, the labourers themselves

But let us try to imagine what would happen if the idea became general among the labouring class, that the competition of too great numbers was the principal cause of their poverty, so that every labourer looked (with Sismondi) upon every other who had more than the number of children which the circumstances of society allowed to each, as doing him a wrong—as filling up the place which he was entitled to share. Any one who supposes that this state of opinion

would not have a great effect on conduct, must be profoundly ignorant of human nature, can never have con sidered how large a portion of the motives which induce the generality of men to take care even of their own interests, is derived from regard for opinion-from the expectation of being disliked or despised for not doing it. In the particular case in question, it is not too much to say that over indulgence is as much caused by the stimulus of opinion as by the mere animal propensity, since opinion universally, and especially among the most uneducated classes, has connected ideas of spirit and power with the strength of the instinct, and of inferiority with its moderation or absence, a perversion of sentiment caused by its being the means, and the stamp, of a dominion exercised over other human The effect would be great beings of merely removing this factitious stimulus, and when once opinion shall have turned itself into an adverse direction, a revolution will soon take place in this department of human conduct. We are often told that the most thorough perception of the depen dence of wages on population will not influence the conduct of a labouring man, because it is not the children he himself can have that will produce any effect in generally depressing the labour market True and it is also true, that one soldier's running away will not lose the battle, accordingly it 18 not that consideration which keeps each soldier in his rank it is the disgrace which naturally and mevitably attends on conduct by any one individual, which if pursued by a majority, everybody can see would be fatal. Men are seldom found to brave the general opinion of their class, unless supported either by some principle higher than regard for opinion, or by some strong body of opinion elsewhere

It must be borne in mind also, that the opinion here in question, as soon as it attained any prevalence, would have powerful auxilianes in the great majority of women It is seldom by the choice of the wife that families are too numerous, on her devolves (along

with all the physical suffering and at | least a full share of the privations) the whole of the intolerable domestic drud gery resulting from the excess relieved from it would be limited as a blessing by multitudes of nomen who now never venture to urge such a claim, but who would arge it, if supported by the moral feelings of the community Among the barbarisms which law and morals have not yet ceased to sanction, the most disgusting burely 15, that any human being should tw permitted to consider himself as having a right to the person of another If the opinion were once generally established among the labouring class that their welfare required a due regu lation of the numbers of families, the respectable and well-conducted of the body would conform to the prescription, and only those would exempt themselves from it, who were in the habit of making light of social obligations generally, and there would be then an ovident justification for converting the moral obligation against bringing children into the world who are a burthen to the community, into a legal one, just as in many other cases of the progress of opinion, the law ends by enforcing against recalcitrant minorities, obligations which to be useful must be general, and which, from a sense of their utility, a large majority have voluntarily consented to take upon themselves. There would be no need, however, of legal sanctions, If women were admitted, as on all other grounds they have the clearest fittle to be, to the same rights of citizenship with men Let their cease to be confined by custom to one physical function as their means of living and their source of influence, and they would have for the first time an equal voice with men in what concerns that function and of all the improvements in reserve for mankind which it is now possible to foresce, none might be expected to be so fertile as this in almost every kind of moral and social benefit

It remains to consider what chance there is that opinions and feelings, grounded on the law of the dependence

of wages on population, will arise among the labouring classes, and by what means such opinions and feelings can be called forth. Before considering the grounds of hope on this subject, a hope which many persons, no doubt, will be ready, without consideration, to pronounce chimerical, I will remark, that unless a satisfactory answer can be made to these two questions, the industrial system prevailing in this country, and regarded by many writers as the ne plus ultra of civilizationthe dependence of the whole labouring class of the community on the wages, of hired labour-is irrevocably con-The question we are con sidering is, whether, of this state of, things, over population and a degraded condition of the labouring class are the mevitable consequence prudent regulation of population be not reconcilable with the system of hired labour, the system is a nuisance, and the and the grand object of economical statesmanship should be (by whatever arrangements of property, and alterations in the modes of applying industry), to bring the labouring people under the influence of stronger and more obvious inducements to this kind of prudence, than the relation of workmen and employers can afterd

But there exists no such incom patibility The causes of poverty are not so obvious at first sight to a popu lation of hired labourers, as they are to one of proprietors, or as they would be to a socialist community are, however, in no way mysterious. The dependence of wages on the num ber of the competitors for employment, } is so far from hard of comprehension, or [unintelligible to the labouring classes, that by great bodies of them it is already recognised and habitually acted on It is familiar to all Trades Unions, every successful combination to keep up wages, owes its success to contri vances for restricting the number of the competitors, all skilled trades are anxious to keep down their own num bers, and many impose, or endeavour to imposo, as a condition upon em ployers, that they shall not take more than a prescribed number of appren-

There is, of course, a great tices difference between limiting their num bers by excluding other people, and doing the same thing by a restraint imposed on themselves but the one as much as the other shows a clear perception of the relation between their numbers and their remuneration The principle is understood in its application to any one employment, but not to the general mass of employment For this there are several reasons first, the operation of causes is more easily and distinctly seen in the more circumscribed field secondly, skilled artizans are a more intelligent class than ordinary manual labourers, and the habit of concert, and of passing in review their general condition as a trade, keeps up a better understanding of their collective interests thirdly and lastly, they are the most provident, because they are the best off and have the most to preserve What, how ever, is clearly perceived and admitted in particular instances, it cannot be hopeless to see understood and acknowledged as a general truth. Its recognition, at least in theory, seems thing which must necessarily and immediately come to pass, when the minds of the labouring classes become capable of taking any rational view of their own aggregate condition this the great majority of them have until now been incapable, either from the uncultivated state of their intelligence, or from poverty, which leaving them neither the fear of worse, nor the smallest hope of better, makes them careless of the consequences of their actions, and without thought for the futuro.

§ 3 For the purpose therefore of altering the habits of the labouring people, there is need of a twofold action, directed simultaneously upon their intelligence and their poverty. An effective national education of the children of the labouring class, is the first thing needful and, coincidently with this, a system of measures which shall (as the Revolution did in France) extinguish extreme poverty for one whole generation.

This is not the place for discussing, even in the most general manner, either the principles or the machinery of national education. But it is to be hoped that opinion on the subject is advancing, and that an education of mere words would not now be deemed sufficient, slow as our progress is towards providing anything better even for the classes to whom society professes to give the very best education it can devise Without entering into disputable points, it may be asserted without scruple, that the aim of all in tellectual training for the mass of the people, should be to cultivate common sense, to qualify them for forming a sound practical judgment of the circumstances by which they are sur rounded. Whatever, in the intellectual department, can be superadded to this, is chiefly ornamental, while this! is the indispensable groundwork on which education must rest. Let this! object be acknowledged and kept in view as the thing to be first aimed at, and there will be little difficulty in deciding either what to teach, or in what manner to teach it.

An education directed to diffuse good sense among the people, with such knowledge as would qualify them to judge of the tendencies of their actions, would be certain, even without any; direct inculcation, to raise up a public opinion by which intemperance and improvidence of every kind would be held discreditable, and the improvi dence which overstocks the labour market would be severely condemned, as an offence against the common! But though the sufficiency of. such a state of opinion, supposing it formed, to keep the increase of popu lation within proper limits, cannot, I think, be doubted, yet, for the formation of the opinion, it would not do to trust to education alone is not compatible with extreme poverty. It is impossible effectually to teach an indigent population And it is difficult to make those feel the value of comfort who have never enjoyed it, or those appreciate the wretchedness of a precarious subsistence, who have been made reckless by always hving I from hand to mouth. Individuals often ! struggle upwards into a condition of erso, but the utmost that can be expacted from a whole people is to maintain themselves in it, and improvement in the habits and requirements of the mace of unskilled day labourers will be difficult and tardy, unless means can be contrived of raising the entire body to a state of tolerable comfort, and maintaining them in it until a now generation grows up

Towards effecting this object there are two resources available, without wrong to any one, without any of the habilities of mischief attendant on voluntary or legal charity, and not only without weakening, but on the contrary strengthening, every incen tive to industry, and every motive to

forethought.

§ 4 The first is, a great national measure of colonization I mean, a grant of public money sufficient to remove at once, and establish in the colonies, a considerable fraction of the contliful agricultural population giving the preference, as Mr Waketield proposes, to young couples, or when these cannot be obtained, to families with children nearly grown up, the expenditure would be made to go the farthest possible towards accomplishing the end, while the colonies would be supplied with the greatest amount of what is there in deliciency and here in superfluity, present and prospective labour It has been shown by others, and the grounds of the opinion will be exhibited in a subsequent part of the present work, that colons zation on an adequate scale might be so conducted as to cost the country nothing, or nothing that would not be certainly repaid, and that the funds required, even by way of advance, would not be drawn from the capital employed in maintaining labour, but from that surplus which cannot find employment at such profit as consti tutes an adequate remuneration for the abstinence of the possessor, and which is therefore sent abroad for investment, or wasted at home in rock less speculations That portion of the larrangement among the heirs, they

income of the country which is habitually ineffective for any purpose of benefit to the inbouring class, would bear any draught which it could be necessary to make on it for the amount of emigration which is here in view

The second resource would be, to devote all common land, hereafter brought into cultivation, to raising a class of small proprietors It has long enough been the practice to take these lands from public use, for the mere purpose of adding to the domains of the rich. It is time that what is left of them should be retained as an estate sacred to the benefit of the poor machinery for administering it already exists, having been created by the General Inclosure Act. What I would propose (though, I confess, with small hope of its being soon adopted) is, that in all future cases in which common land is permitted to be enclosed, such portion should first be sold or assigned as is sufficient to compensate the owners of manorial or common rights, and that the remainder should be divided into sections of five acres or thereabouts, to be conferred in abso lute property on individuals of the labouring class who would reclaim and bring them into cultivation by their The preference should own labour be given to such labourers, and there are many of them, as had saved enough to maintain them until their first crop was got in, or whose character was such as to induce some responsible person to advance to them the requisite amount on their personal security The tools, the manure, and in some cases the subsistence also, might be supplied by the parish, or by the state, interest for the advance, at the rate yielded by the public funds, being laid on as a perpetual quit-rent, with power to the peasant to redeem it at any time for a moderate number of years pur-These little landed estates might, if it were thought necessary, be made indivisible by law, though, if the plan worked in the manner designed, I should not apprehend any objectionable degree of subdivision In case of intestacy, and in default of amicable

might be bought by government at their value, and regranted to some other labourer who could give security for the price. The desire to possess one of these small properties would probably become, as on the Continent, an inducement to prudence and economy pervading the whole labouring population, and that great desideratum among a people of hired labourers would be provided, an intermediate class between them and their employers, affording them the double advantage, of an object for their hopes, and, as there would be good reason to anticipate, an example for their imitation.

It would, however, be of little avail that either or both of these measures of relief should be adopted, unless on such a scale, as would enable the whole body of hired labourers remain ing on the soil to obtain not merely employment, but a large addition to the present wages—such an addition as would enable them to live and bring up their children in a degree of comfort and independence to which they have hitherto been strangers the object is to raise the permanent condition of a people, small means do not merely produce small effects, they produce no effect at all Unless com fort can be made as habitual to a whole generation as indigence is now. nothing is accomplished, and feeble half measures do but fritter away resources, far better reserved until the improvement of public opinion and of education shall raise up politicians who will not think that merely because a scheme promises much, the part of statesmanship is to have nothing to do with it.

I have left the preceding paragraphs as they were written, since they remain true in principle, though it is no longer urgent to apply their specific recommendations to the present state of this country. The extraordinary

cheapening of the means of transport, which is one of the great scientific achievements of the age, and the knowledge which nearly all classes of the people have now acquired, or are in the way of acquiring, of the condition of the labour market in remote parts of the world, have opened up a spon tancous emigration from these islands to the new countries beyond the ocean, which does not tend to diminish, but to increase, and which, without any national measure of systematic colonization, may prove sufficient to effect a material rise of wages in Great Britain, as it has already done in Ireland, and to maintain that rise unimpaired for one or more generations. Emigration, instead of an occasional vent, is becoming a steady outlet for superfluous numbers, and this new fact in modern history, together with the flush of prosperity occasioned by free trade, have granted to this overcrowded country a temporary breathing time, capable of being employed in accomplishing those moral and intel lectual unprovements in all classes of the people, the very poorest included, which would render improbable any relapse into the overpeopled state Whether this golden opportunity will be properly used, depends on the wisdom of our councils, and whatever depends on that, is always in a high degree precanous The grounds of hope are, that there has been no time in our history when mental progress has depended so little on governments, and so much on the general disposition of the people, none in which the spirit of improvement has extended to so many branches of human affairs at once, nor in which all kinds of suggestions tending to the public good, in every department, from the humblest physical to the highest moral or intel lectual, were heard with so little prejudice, and had so good a chance of becoming known and being fairly oon sidered.

CHAPTER XIV

OF THE DIFFERENCIE OF WAGES IN DIFFFRENT EMPLOYMENTS.

In treating of wages, we have hitherto confined ourselves to the causes which operate on them generally, and en masser, the laws which afovers the remuneration of ordinary or average labour without reference, to the existence of different kinds of work which are habitarily paid at different rates, depending in some degree on different laws. We will now take into consideration these differences, and examine in what manner they affect or are affected by the conclusions already established.

A well known and very popular chapter of Adam Smith* contains the best exposition yet given of this portion of the subject. I cannot indeed think his treatment so complete and exhaustive as it has sometimes been considered, but as far as it goes, his analysis a telephile exposition.

analysis is tolerably successful The differences, he says, arise partly from the policy of Europe, which nowhere leaves things at perfect liberty, and partly "from certain circumstances in the employments themselves, which either really, or at least in the imaginations of men, make up for a small pecuniary gain in some, and counterbalance a great one in others" These circumstances he considers to be "First, the agreeableness or disagree ableness of the employments themfactives, secondly, the easiness and cheapness, or the difficulty and expense of learning them, thirdly, the con etancy or inconstancy of employment in them, fourthly, the small or great trust which must be reposed in those who exercise them, and fifthly, the probability or improbability of success in them."

Several of these points he has very copiously illustrated though his exam ples are sometimes drawn from a state of facts now no longer existing "The wages of labour vary with the case or

" Wealth of Nations book L ch 10

hardship, the cleanliness or dirtiness, the honourableness or dishonourableness of the employment. Thus, in most places, take the year round, a journeyman tailor earns less than a journeyman weaver His work with much easier" Things have much nitered, as to a weaver's remuneration, since Adam Smith's time, and the artizan whose work was more difficult than that of a tailor, can never, I think, have been the common weaver "A journeyman weaver earns less than a journeyman smith His work is not always ensier, but it is much, cleanlier " A more probable explana tion is, that it requires less bodily "A journeyman strength smith, though an artificer, seldom earns so much in twolve hours as a collier, who is only a labourer, does in eight His work is not quite so dirty, is less dangerous, and is carried on in daylight, and above ground. makes a great part of the reward of all honourable professions In point of pecuniary gain, all things considered," their recompense is, in his opimon, below the average "Disgrace The trade of has the contrary effect a butcher is a brutal and an odious business, but it is in most places more profitable than the greater part of common trades The most detestable of all employments, that of public executioner, is, in proportion to the quantity of work done, better paid than any common trade whatever?

One of the causes which make hand loom weavers cling to their occupation in spite of the scanty remuneration which it now yields, is said to be a peculiar attractiveness, arising from the freedom of action which it allows to the workman "He can play or idle," says a recent authority,* "as feeling or inclination lead him, rise

 Mr Muggeridge's Report to the Handloom Weavers Inquiry Commission. early or late, apply himself assiduously or carelessly, as he pleases, and work up at any time, by increased exertion, hours previously sacrificed to indul gence or recreation There is scarcely another condition of any portion of our working population thus free from external control The factory operative is not only mulcted of his wages for absence, but, if of frequent occurrence, discharged altogether from his employment. The bricklayer, the carpenter, the painter, the joiner, the stonemason, the outdoor labourer, have each their appointed daily hours of labour, a disregard of which would lead to the same result." Accordingly, "the weaver will stand by his loom while it will enable him to exist, however miserably, and many, induced temporarily to quit it, have returned to it again, when work was to be had "

"Employment is much more con stant," continues Adam Smith, "in some trades than in others In the greater part of manufactures, a journeyman may be pretty sure of employment almost every day in the year that he is able to work" (the interruptions of business arising from over stocked markets, or from a suspension of demand, or from a commercial crisis, must be excepted) "A mason or bricklayer, on the contrary, can work neither in hard frost nor in foul weather, and his employment at all other times depends upon the occasional calls of his customers He is liable, in consequence, to be frequently without any What he earns, therefore, while he is employed, must not only maintain him while he is idle, but make him some compensation for those anxious and desponding moments which the thought of so precurious a situation must some times occasion. When the computed earnings of the greater part of manufacturers, accordingly, are nearly upon a level with the day wages of common labourers, those of masons and brick layers are generally from one half more to double those wages species of skilled labour, however, sceins more easy to learn than that of amasons and bricklayers. The high |

wages of those workmen, therefore, are not so much the recompense of their skill, as the compensation for the inconstancy of their employ

"When the inconstancy of the employment is combined with the hardship, disagreeableness, and dirtiness of the work, it sometimes raises the wages of the most common labour above those of the most skilful artificers A collier working by the piece 185 supposed, at Newcastle, to earn commonly about double, and in many parts of Scotland about three times, the wages of common labour high wages arise altogether from the hardship, disagreeableness, and dirti His employment ness of his work. may, upon most occasions, be as con The coal heavers stant as he pleases in London exercise a trade which in hardship, dirtiness, and disagreeableness, almost equals that of colliers, and from the unavoidable irregularity in the arrivals of coalships, the employ ment of the greater part of them 18 necessarily very inconstant. liers, therefore, commonly earn double and triple the wages of common labour, it ought not to seem unreasonable that coal heavers should sometimes earn In the four or five times those wages inquiry made into their condition a few years ago, it was found that at the rate at which they were then paid, they could earn about four times the wages of common labour in London. How extravagant soever these earnings may appear, if they were more than sufficient to compensate all the diengreeable circumstances business, there would soon be so great a number of competitors as, in a trade which has no exclusive privilege, would quickly reduce them to a lower rate "

These inequalities of remuneration, which are supposed to compensate for the disagreeable circumstances of particular employments, would, under certain conditions, be natural consequences of perfectly free competition and as between employments of about the same grade, and filled by nearly the same description of people, they are, no doubt, for the most part,

realized in practice. But it is altogether a false view of the state of incis, to present this as the relation which generally exists between agreeable and disagreeable employments The really exhausting and the really repulsive labours, instead of being better paid than others, are almost invariably paid the worst of all, because performed by those who have no choice It would be otherwise in a favourable state of the general labour market. the labourers in the aggregate, instead of exceeding, fell short of the amount of employment, work which was generally disliked would not be undertaken, except for more than ordinary wages But when the supply of labour so far exceeds the demand that to find employment at all is an uncertainty, and to be offered it on any terms a favour, the case is totally the reverse rable labourers, those whom every one is anxious to have, can still exercise a The undesirable must take what they can get The more revolting the occupation, the more certain it is to receive the minimum of remuneration, because it devolves on the most heipless and degraded, on those who from equalid poverty, or from want of skill and education, are rejected from all other employments. Partly from this cause, and partly from the natural and artificial monopolies which will be spoken of presently, the inequalities of wages are generally in an opposite direction to the equitable principle of compensation erroneously represented by Adam Smith as the general law of the remuneration of labour The hardships and the earnings, instead of being directly proportional, as in any just arrangements of society they would be, are generally in an inverse ratio to one

One of the points best illustrated by Adam Smith, is the influence exercised on the remuneration of an employment by the uncertainty of success in it the chances are great of total failure, the reward in case of success must be sufficient to make up, in the general estimation, for those adverse chances But, owing to another principle of

the shape of a few great prizes, it usually attracts competitors in such numbers, that the average remuneration may be reduced not only to zero, but even to a negative quantity success of lotteries proves that this is possible since the aggregate body of adventurers in lotteries necessarily lose, otherwise the undertakers could The case of certain professions is considered by Adam Smith to be similar "The probability that any particular person shall ever be; qualified for the employment to which he is educated, is very different in different occupations In the greater part of mechanic trades, success is almost certain, but very uncertain in the liberal professions. Put your son apprentice to a shoemaker, there is little doubt of his learning to make a pair of shoes, but send him to study the law, it is at least twenty to one if ever he makes such proficiency as will enable him to live by the business In a perfectly fair lottery, those who draw the prizes ought to gain all that is lost by those who draw the blanks In a profession where twenty fail for one that succeeds, that one ought to gain all that should have been gained by the unsuccessful twenty The counsellor-at-law, who, perhaps, at near forty years of age, begins to make something by his profession, ought to receive the retribution, not only of his own so tedious and expensive education, but of that of more than twenty others who are never likely to make anything by it How extravagant/ soever the fees of counsellors-at-law may sometimes appear, their real retribution is never equal to this pute in any particular place what is likely to be annually gained, and what is likely to be annually spent, by all the different workmen in any common trade, such as that of shoemakers or weavers, and you will find that the former sum will generally exceed the But make the same computation with regard to all the counsellors and students of law, in all the different inns of court, and you will find that their annual gains bear but a small human nature, if the reward comes in proportion to their annual expense,

even though you rate the former as high, and the latter as low, as can well be done "

Whether this is true in our own day, when the gains of the few are incomparably greater than in the time of Adam Smith, but also the unsuccessful aspirants much more numerous, those who have the appropriate information must decide It does not, however, seem to be sufficiently considered by Adam Smith, that the prizes which he speaks of comprise not the fees of counsel only, but the places of emolument and honour to which their profession gives access, together with the coveted distinction of a conspicuous

position in the public eye Even where there are no great prizes, the mere love of excitement is sometimes enough to cause an adven turous employment to be overstocked. This is apparent "in the readiness of the common people to enlist as soldiers, br to go to sea The dangers and hair breadth escapes of a life of adven tures, instead of disheartening young people, seem frequently to recommend a trade to them A tender mother, among the inferior ranks of people, is often afraid to send her son to school at a sea-port town, lest the sight of the ships and the conversation and adventures of the sailors should entice him to go to sea The distant prospect of hazards, from which we can hope to extricate ourselves by courage and address, is not disagreeable to us, and does not raise the wages of labour in any employment. It is otherwise liwith those in which courage and address can be of no avail. In trades which are known to be very unwhole some, the wages of labour are always emarkably high Unwholesomeness is a species of disagreeableness, and its effects upon the wages of labour place to be ranked under that general

§ 2 The preceding are cases in vinch inequality of remineration is necessary to produce equality of attractiveness, and are examples of the equalizing effect of free competition.

equality, and arise from a different "The wages of labour, principle vary according to the small or great; trust which must be reposed in the workmen. The wages of goldsmiths and jewellers are everywhere superior to those of many other workmen, not only of equal, but of much superior ingenuity, on account of the precious; materials with which they are intrusted. We trust our health to the physician, our fortune and sometimes our life and reputation to the lawyer and attorney Such confidence could not safely be reposed in people of a very mean or low condition. Their reward must be such, therefore, as may give them that rank in society which so important; a trust requires."

The superiority of reward is not here the consequence of competition, but of its absence, not a compensation for disadvantages inherent in the employment, but an extra advantage, a kind of monopoly price, the effect not of a legal, but of what has been termed a natural monopoly If all labourers were trustworthy it would not be necessary to give extra pay to working goldsmiths on account of the trust. The degree of integrity required being supposed to be uncommon, those who can make it appear that they possess it are able to take advantage of the peculiarity, and obtain higher pay in This opens a proportion to its rarity class of considerations which Adam Smith, and most other political economists, have taken into far too little account, and from mattention to which, he has given a most imperfect exposition of the wide difference between the remuneration of common labour and that of skilled employments

Some employments require a much longer time to learn, and a much more ! expensive course of instruction than others, and to this extent there is, as {! explained by Adam Smith, an inherent !! reason for their being more highly, remunerated If an artizan must work several years at learning his trade before he can earn anything, and several years more before becoming sufficiently skilful for its finer operations, The fellowing are cases of real in- he must have a prospect of at last

carning enough to pay the wages of all this past labour, with compensation for the delay of payment, and an indemnity for the expenses of his education His wages, consequently, must yield, over and above the ordinary amount, an annuity sufficient to rep is these sums, with the common rate of profit, within the number of years he can expect to live and be in working condition This, which is neces ary to place the skilled employments, all circumstances taken together, on the same level of advantage with the unstilled, is the smallest difference which can exist for any length of time between the two remunerations, since otherwise no one would learn the skilled employments this amount of difference is all which Adam Smith's principles account for When the disparity is greater, he seems to think that it must be explained by apprentice laws, and the rules of corporations, which restrict admission into many of the skilled employments. But, independently of these or any other artificial monopolies, there is a natural monopoly in favour of skilled labourers against the ur skilled, which makes the difference of reward exceed, sometimes in a manifold proportion, what is sufficient merely to equalize their advantages If unskilled inbourers had it in their power to compete with skilled, by merely taling the trouble of learning the trade, the difference of wages might not exceed what would compensate them for that trouble, at the ordinary rate at which labour is remunerated fact that a course of instruction is required, of even a low degree of costliness, or that the labourer must be maintained for a considerable time from other sources, suffices everywhere to exclude the great body of the labouring people from the possibility of any Until lately, all such competition employments which required even the humble education of reading and writing, could be recruited only from a select class, the majority having had no opportunity of acquiring those All such employments, nttainments accordingly, were immensely overpaid,

as measured by the ordinary remune ration of labour Since reading and writing have been brought within the reach of a multitude, the monopoly price of the lower grade of educated employments has greatly fallen, the competition for them having increased in an almost incredible degree 18 still, however, a much greater disparity than can be accounted for on the principle of competition A clerk from whom nothing is required but the mechanical labour of copying, gains more than an equivalent for his mere exertion if he receives the wages of a bricklayer's labourer His work is not a tenth part as hard, it is quite as easy to learn, and his condition is less precarrous, a clerk's place being generally a place for life. The higher rate of his remuneration, therefore, must be partly ascribed to monopoly, the small degree of education required being not even yet so generally diffused as to call forth the natural number of com petitors, and partly to the remaining influence of an ancient custom, which requires that clerks should maintain the dress and appearance of a more highly paid class. In some manual employments, requiring a nicety of hand which can only be acquired by long practice, it is difficult to obtain at any cost workmen in sufficient num bery, who are capable of the most delicate kind of work, and the wages paid to them are only limited by the price which purchasers are willing to give for the commodity they produce This is the case with some working watchmakers, and with the makers of some astronomical and optical instru ments If workmen competent to such employments were ten times as numerous as they are, there would be purchasers for all which they could make, not indeed at the present prices, but at those lower prices which would be the natural consequence of lower wages Similar considerations apply in a still greater degree to employments which it is attempted to confine to persons of a certain social rank, such as what are called the liberal professions, into which a person of what is considered too low a class of society, is not easily

admitted, and if admitted, does not ! easily succeed

So complete, indeed, has hitherto been the separation, so strongly marked the line of demarcation, between the different grades of labourers, as to be almost equivalent to an hereditary distinction of caste, each employment being chiefly recruited from the chil dren of those already employed in it, or in employments of the same rank with it in social estimation, or from the children of persons who, if origi nally of a lower rank, have succeeded in raising themselves by their exertions The liberal professions are mostly supplied by the sons of either the professional, or the idle classes the more highly skilled manual employments are filled up from the sons of skilled arti zans, or the class of tradesmen who rank with them the lower classes of skilled employments are in a similar case, and unskilled labourers, with occasional exceptions, remain from father to son in their pristine condition. Consequently the wages of each class have hitherto been regulated by the increase of its own population, rather than of the general population of the country If the professions are over stocked, it is because the class of society from which they have always mainly been supplied, has greatly increased in number, and because most of that class have numerous families. and bring up some at least of their sons to professions If the wages of artizane remain so much higher than those of common labourers, it is because arti zans are a more prudent class, and do not marry so early or so inconsiderately The changes, however, now so rapidly taking place in usages and ideas, are undermining all these distinctions, the habits or disabilities which chained people to their hereditary condition are fast wearing away, and every class is exposed to increased and increasing competition from at least the class im mediately below it. The general relaxation of conventional barriers, and the increased facilities of education which already are, and will be in a much greater degree, brought within ! the reach of all, tend to produce, among | public, and sometimes the piety of

many excellent effects, one which is the reverse, they tend to bring down the wages of skilled labour equality of remaneration between the skilled and the unskilled is, without doubt, very much greater than is justifiable, but it is desirable that this should be corrected by raising the un skilled, not by lowering the skilled If, however, the other changes taking place in society are not accompanied by a strengthening of the checks to population on the part of labourers generally, there will be a tendency to bring the lower grades of skilled la bourers under the influence of a rate of increase regulated by a lower standard of living than their own, and thus to deteriorate their condition without raising that of the general mass, the stimulus given to the multiplication of the lowest class being sufficient to fill up without difficulty the additional apace gained by them from those immediately above

A modifying circumstance still remains to be noticed, which interferes to some extent with the operation of the principles thus far brought to view While it is true, as a general rule, that the earnings of skilled labour, and especially of any labour which requires school education, are at a monopoly rate, from the impossibility, to the mass of the people, of obtaining that education, it is also true that the policy of nations, or the bounty of individuals, formerly did much to counteract the effect of this limitation of competition, by offering eleemosynary instruction to a much larger class of persons than could have obtained the same advantages by paying their price Smith has pointed out the operation of this cause in keeping down the remuneration of scholarly or bookish occupations generally, and in particular of clergymen, literary men, and school masters, or other teachers of youth cannot better set forth this part of the subject than in his words

"It has been considered as of so; much importance that a proper number; of young people should be educated for certain professions, that sometimes the

private founders, have established (plany pensions, scholarships, exhibitions, bursaries, &c. for this purpose, which draw many more people into those trades than could otherwise pretend to follow them In all Christian countries, I believe, the education of the greater part of churchmen is paid for in this manner Very few of them are educated altogether at their own expense The long, tedious, and expensive edu cation, therefore, of those who are, will not always procure them a suitable reward, the church being crowded with people who, in order to get employment, are willing to accept of a much smaller recompense than what such an education would otherwise have entitled them to. and in this manner the competition of the poor takes away the reward of the It would be indecent, no doubt, to compare either a curate or a chaplain with a journeyman in any common The pay of a curate or a chaplain, however, may very properly be considered as of the same nature with the wages of a journeyman are, all three, paid for their work according to the contract which they may happen to make with their respective superiors Till after the middle of the fourteenth century, five marks, containing as much silver as ten pounds of our present money, was in England the usual pay of a curate or a stipen diary parish priest, as we find it regulated by the decrees of several different national councils At the same period fourpence a day, containing the same quantity of silver as a shilling of our present money, was declared to be the pay of a master-mason, and threepence a day, equal to ninepence of our present money, that of a journeyman mason * The wages of both these labourers, therefore, supposing them to have been constantly employed, were much supemor to those of the curate The wages of the master mason, supposing him to have been without employment onethird of the year would have fully equalled them. By the 12th of Queen Anne, c 12, it is declared 'That whereas for want of sufficient mainte-

* " See the Statute of Labourers, 25 Edw

nance and encouragement to curates, the cures have in several places been meanly supplied, the bishop is therefore empowered to appoint by writing under his hand and seal a sufficient certain stipend or allowance, not ex ceeding fifty, and not less than twenty pounds a year ' Forty pounds a year is reckoned at present very good pay for a curate, and notwithstanding this act of parliament, there are many cura cies under twenty pounds a year This last sum does not exceed what is frequently earned by common labourers in many country parishes Whenever the law has attempted to regulate the wages of workmen, it has always been rather to lower them than to raise them But the law has upon many occasions attempted to raise the wages of curates, and for the dignity of the Church, to oblige the rectors of parishes to give them more than the wretched maintenance which they themselves might be willing to accept of. And in both cases the law seems to have been equally ineffectual, and has never been either able to raise the wages of curates or to sink those of labourers to the degree that was intended, because it has never been able to hinder either the one from being willing to accept of less than the legal allowance, on account of the indigence of their situation and the multitude of their competitors, or the other from receiving more, on account of the contrary competition of those who expected to derive either profit or pleasure from employing them"

"In professions in which there are no benefices, such as law (?) and physic, if an equal proportion of people were educated at the public expense, the competition would soon be so great as to sink very much their pecuniary reward. It might then not be worth any man's while to educate his son to either of those professions at his own expense. They would be entirely abandoned to such as had been educated by those public charities, whose numbers and necessities would oblige them in general to content themselves with a very miserable recom-

pense

"That unprosperous race of men, commonly called men of letters, are pretty much in the situation which lawyers and physicians probably would be in upon the foregoing supposition. In every part of Europe, the greater part of them have been educated for the church, but have been hindered by different reasons from entering into holy orders. They have generally, therefore, been educated at the public expense, and their numbers are everywhere so great as to reduce the price of their labour to a very paltry recompense.

"Before the invention of the art of printing, the only employment by anything by his talents, was that of a public or private teacher, or by com municating to other people the curious and useful knowledge which he had acquired himself and this is still surely a more honourable, a more use ful, and in general even a more profitable employment than that other of writing for a bookseller, to which the art of printing has given occasion The time and study, the genius, knowledge, and application requisite to qualify an eminent teacher of the sciences, are at least equal to what is necessary for the greatest practitioners in law and physic But the usual reward of the eminent teacher bears no proportion to that of the lawyer or physician, because the trade of the one is crowded with indigent people who have been brought up to it at the public expense, whereas those of the other two are encumbered with very few who have not been educated The usual recompense, at their own however, of public and private teachers, small as it may appear, would undoubtedly be less than it is, if the competition of those yet more indigent men of letters who write for bread was not taken out of the market. Before the invention of the art of printing, a scholar and a beggar seem to have been terms very nearly synonymous. The different governors of the universities before that time appear to have often granted licenses to their scholars to beg "

The demand for literary last bour has so greatly mercased since Adam Smith wrote, while the provi mons for eleemosynary education have nowhere been much added to, and in the countries which have undergone; revolutions have been much dimi nished, that little effect in keeping down the recompense of literary labour can now be ascribed to the influence of those institutions. But an effect nearly equivalent is now produced by a cause somewhat similar-the competition of persons who, by analogy with other arts, may be called amateurs rary occupation is one of those pursuits in which success may be attained by persons the greater part of whose time is taken up by other employments, and the education necessary for it, is the common education of all cultivated The inducements to it, inde persons pendently of money, in the present state of the world, to all who have either vanity to gratify, or personal of public objects to promote, are strong These motives now attract into this career a great and increasing number of persons who do not need its pecu mary fruits, and who would equally resort to it if it afforded no remuneration In our own country (to cite known examples), the most influential, and on the whole most eminent philosophical writer of recent times (Ben tham), the greatest political economist (Ricardo), the most cphemerally celebrated, and the really greatest poets (Byron and Shelley), and the most successful writer of prose fiction (Scott), were none of them authors by profession, and only two of the five, Scott and Byron, could have supported them selves by the works which they wrote Nearly all the high departments of authorship are, to a great extent, simi larly filled. In consequence, although the highest pecuniary prizes of successful authorship are incomparably greater than at any former period, yet on any rational calculation of the chances, in the existing competition, scarcely any writer can hope to gain a living by books, and to do so by maga zines and reviews becomes daily more difficult. It is only the more troubie-

rome and disagreeable kinds of literary labour, and those which confer no personal celebrity, such as most of those connected with newspapers, or with the emaller periodicals, on which an educated person can now rely for subsist-Of these, the remuneration is, on the whole, decidedly high, because, though exposed to the competition of what used to be called "poor scholars" (persons who have received a learned education from some public or private charity), they are exempt from that of amateurs, those who have other means of support being seldom candidates for such employments Whether these considerations are not connected with something radically amiss in the idea of authorship as a profession, and whether any social arrangement under which the teachers of mankind consist of persons giving out doctrines for bread, is suited to be, or can possibly be, a permanent thing—would be a subject well worthy of the attention of thinkers.

The clerical, like the literary profesmon, is frequently adopted by persons of independent means, either from religious zeal, or for the sake of the honour or usefulness which may belong to it, or for a chance of the high prizes which it holds out, and it is now principally for this reason that the salaries of curates are so low, those salaries, though considerably raised by the in fluence of public opinion, being still generally insufficient as the sole means of support for one who has to maintain the externals expected from a clergy man of the established church

When an occupation is carried on chiefly by persons who derive the main portion of their subsistence from other sources, its remuneration may be lower almost to any extent, than the wages of equally severe labour in other em-The principal example of ployments. the kind is domestic manufactures When spinning and knitting were carned on in every cottage, by families deriving their principal support from agriculture, the price at which their produce was sold (which constituted the remuneration of the labour) was often so low, that there would have

been required great perfection of machinery to undersell it The amount of the remuneration in such a case, depends chiefly upon whether the quantity of the commodity, produced by this description of labour, suffices to supply the whole of the demand. If it does not, and there is consequently a neces sity for some labourers who devote themselves entirely to the employment, the price of the article must be suffi cient to pay those labourers at the ordinary rate, and to reward therefore very handsomely the domestic producers But if the demand is so limited that the domestic manufacture can do more than satisfy it, the price is natu rally kept down to the lowest rate at which peasant families think it worth while to continue the production is, no doubt, because the Swiss artizans do not depend for the whole of their subsistence upon their looms, that Zurich is able to maintain a competition in the European market with English capital, and English fuel and machinery * Thus far, as to the remuneration of the subsidiary employment, but the effect to the labourers of having this additional resource, is almost certain to be (unless peculiar counteracting causes intervene) a proportional diminution of the wages of their The habits of the main occupation people (as has already been so often remarked) everywhere require some particular scale of hving, and no more, as the condition without which they will not bring up a family Whether the income which maintains them in this condition comes from one source or from two, makes no difference there is a second source of income, they require less from the first, and multiply (at least this has always hitherto been the case) to a point which leaves them no more from both employments,

^{*} Four-fifths of the manufacturers of the Canton of Zurich are small farmers, generally proprietors of their farms The cotton manufacture occupies either wholly or partially 23,000 people, nearly a tenth part of the population, and they consume a greater quantity of cotton per inhabitant than either brance or England. See the Statistical Account of Zurich, formerly cited pp 108 103,

than they would probably have had from either if it had been their sole

occupation.

For the same reason it is found that, ceteris paribus, those trades are gene rally the worst paid, in which the wife and children of the artizan aid in the work. The income which the habits of the class demand, and down to which they are almost sure to mul tiply, is made up, in those trades, by the earnings of the whole family, while in others the same income must be obtamed by the labour of the man alone It is even probable that their collective earnings will amount to a smaller sum than those of the man alone in other trade:, because the prudential restraint on marriage is unusually weak when the only consequence imire diately felt is an improvement of circumstances, the joint earnings of the two going further in their domestic economy after marriage than before Such accordingly is the fact, in the case of hand loom weavers kinds of weaving, women can and do earn as much as men, and children are employed at a very early age, but the aggregate earnings of a family are lower than in almost any other kind of industry, and the marriages earlier It is noticeable also that there are cer tain branches of hand loom weaving in which wages are much above the rate common in the trade, and that these are the branches in which neither women nor young persons are em These facts were authenti cated by the inquiries of the Handloom Weavers Commission, which made its report in 1841 No argument can be hence derived for the exclusion of women from the liberty of competing in the labour market, since even when no more is earned by the labour of a man and a woman than would have been earned by the man alone, the advantage to the woman of not depending on a master for subsistence may be more than an equivalent. cannot, however, be considered demr able as a permanent element in the condition of a labouring class, that the mother of the family (the case of sin gle women is totally different) should

be under the necessity of working for subsistence, at least elsewhere than in their place of abode. In the case of children, who are necessarily depend ent, the influence of their competition in depressing the labour market is an important element in the question of limiting their labour, in order to provide better for their education

It deserves consideration, why f the wages of women are generally lower, and very much lower, than those They are not universally so [Where men and women work at the same employment if it be one for which they are equally fitted in point of physical power, they are not always) unequally paid Women, in factories, sometimes carn as much as men, and so they do in hand loom weaving, which, being paid by the piece, brings their efficiency to a sure test. the efficiency is equal, but the pay un equal, the only explanation that can be given is custom, grounded either in a prejudice, or in the present con stitution of society, which, making almost every woman, socially speaking, an appendage of some man, en ables men to take systematically the lion's share of whatever belongs to both But the principal question relates to the peculiar employments of women. The remuneration of these 18 always, I believe, greatly below that of employments of equal skill and equal disagreeableness, carned on by men In some of these cases the explanation is evidently that already given the case of domestic servants, whose wages, speaking generally, are not determined by competition, but are greatly in excess of the market value of the labour, and in this excess, as in almost all things which are regulated by custom, the male sex obtains by far the largest share In the occupations in which employers take full advantage of competition, the low wages of women as compared with the ordinary earnings of men, are a proof that the employments are overstocked though so much smaller a number of women, than of men, support themselves by wages, the occupations which

and usage make acces able to them are comparatively so few, that the field of their employment is still more over crowded. It must be observed, that as untiers now stand, a sufficient degree of overcrowding may depress the wages of women to a much lower minimum than those of men The wages, at least of single women, must be equal to their support, but need not be more than equal to it, the minimum, in their case, is the pittance absolutely requi rite for the sustemance of one buman being Now the lowest point to which the most superabundant competition can permanently depress the wages of a man, is always somewhat more than Where the wafe of a labouring man does not by general custom con Unbute to his earnings, the man's wages must be at least sufficient to support hauself, a wafe, and a number of children adequate to keep up the population, since if it were less, the population would not be kept up. And dvep if the wife earns something, their joint wages must be sufficient to support, not only themselves, but (at least for rome years) their children also ne plus ultra of low wages, therefore, (except during some transitory crisis, or in some decaying employment,) can hardly occur in any occupation which the person employed has to live by, except the occupations of women

Thus far, we have, through this discussion, proceeded on the supposition that competition is free, so far ns regards human interference, being limited only by natural causes, or by the unintended effect of general social circumstances But law or custom I'may interfere to limit competition If apprentice laws, or the regulations of corporate bodies, make the access to a particular employment slow, costly, or difficult, the wages of that employment may be kept much above their natural proportion to the wages of common labour They might be so kept without any assignable limit, were it not that wages which exceed the usual rate require corresponding prices, and that there is a limit to the price at which even a restricted num

ber of producers can dispose of all they produce In most civilized countries, the restrictions of this kind which once existed have been either abohaled or very much relaxed, and will, no doubt, soon disappear entirely some trades, however, and to some extent, the combinations of workmen produce a similar effect. Those com binations always fail to uphold anges at an artificial rate, unless they also limit the number of competitors they do occasionally succeed in accoinplishing this In several trades the workmen have been able to make it almost impracticable for strangers to obtain admission either as journeymen or as apprentices, except in limited num bers, and under such restrictions as they choose to impose. It was given in evidence to the Hand loom Weavers Commission, that this is one of the hardships which aggravate the grievous condition of that depressed class Their own employment is overstocked and almost ruined, but there are many other trades which it would not be dif ficult for them to learn to this, however, the combinations of workmen in those other trades are said to interpose an obstacle hitherto insurmountable

Notwithstanding, however, the cruel manner in which the exclusive principle of these combinations operates in a case of this peculiar nature, the question, whether they are on the whole more useful or mischievous, requires to be decided on an enlarged consideration of consequences, among which such a fact as this is not one of the most important items aside the atrocities sometimes committed by workmen in the way of per sonal outrage or intimidation, which cannot be too rigidly repressed, if the present state of the general habits of the people were to remain for ever unimproved, these partial combinations, in so far as they do succeed in keeping up the wages of any trade by limiting its numbers, might be looked upon as simply intrenching round a particular spot against the inroads of over-population, and making the wages of the class depend upon their own rate of Increase, instead of depending on that

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of a more reckless and improvident What at first class than themselves sight seems the injustice of excluding the more numerous body from sharing the game of a comparatively few, disappears when we consider that by being admitted, they would not be made better off, for more than a short time, the only permanent effect which their admission would produce, would be to lower the others to their own level To what extent the force of this consideration is annulled when a tendency commences towards diminished over crowding in the labouring classes generally, and what grounds of a different nature there may be for re garding the existence of trade combinations as rather to be desired than deprecated, will be considered in a subsequent chapter of this work, with the subject of Combination Laws

To conclude this subject, I must repeat an observation already made, that there are kinds of labour of which the wages are fixed by custom, and not by competition Such are the fees or charges of professional persons of physicians, surgeons, barristers, and even attorneys These, as a general rule, do not vary, and though competi These, as a general tion operates upon those classes as much as upon any others, it is by dividing the business, not, in general, by diminishing the rate at which it is The cause of this, perhaps, has been the prevalence of an opinion that such persons are more trustworthy if paid highly in proportion to the work they perform, insomuch that if a lawyer or a physician offered his services at less than the ordinary rate, instead of guining more practice, he would probably lose that which he already had for analogous reasons it is usual to

pay greatly beyond the market price of their labour, all persons in whom the employer wishes to place peculiar trust, or from whom he requires something besides their mere services For ex ample, most persons who can afford it, pay to their domestic servants higher wages than would purchase in the market the labour of persons fully as competent to the work required They do this, not merely from ostentation, but also from more reasonable metives . either because they desire that those they employ should serve them cheerfully, and be anxious to remain in their service, or because they do not like to drive a hard bargain with people whom they are in constant intercourse with, or because they dislike to have near their persons, and continually in their sight, people with the appearance and habits which are the usual accompani ments of a mean remuneration lar feelings operate in the minds of persons in business, with respect to their clerks and other employes berality, generosity, and the credit of the employer, are motives which, to whatever extent they operate, preclude taking the utmost advantage of compe and doubtless such motives might, and even now do, operate on employers of labour in all the great departments of industry, and most desirable is it that they should they can never raise the average wages of labour beyond the ratio of population By giving more to each to capital person employed, they limit the power of giving employment to numbers, and however excellent their moral effect, they do little good economically, unless the panpersm of those who are shut out, leads indirectly to a readjustment by means of an increased restraint on population. F1 003

CHAPTER XV.

OF PROFITS

HAVING treated of the labourer's share of the produce, we next proceed to the share of the capitalist, the profits of capital or stock, the gains of the person who advances the expenses of production—who, from funds in his possession, pays the wages of the labourers, or supports them during the work, who supplies the requisite buildings, materials, and tools or machinery, and to whom, by the usual terms of the contract, the produce be longs, to be disposed of at his pleasure After indemnifying him for his outlay, there commonly remains a surplus, which is his profit, the net income from his capital the amount which he can afford to expend in necessaries or pleasures, or from which by further saving he can add to his wealth

As the wages of the labourer are the remuneration of labour, so the profits of the capitalist are properly, according to Mr Senior's well chosen expression, the remuneration of abstinence are what he gains by forbearing to consume his capital for his own uses, and allowing it to be consumed by productive labourers for their uses For this forbearance he requires a Very often in personal recompense lenjoyment he would be a gainer by squandering his capital, the capital camounting to more than the sum of the profits which it will yield during the years he can expect to live But while he retains it undiminished, he has always the power of consuming it if he wishes or needs, he can bestow it upon others at his death, and in the mean time he derives from it an income, which he can without impoverishment apply to the satisfaction of his own wants or inclinations

Of the gains, however, which the possession of a capital enables a person to make, a part only is properly an equivalent for the use of the capital intself, namely, as much as a solvent | nence, indemnity for risk, and remu'

person would be willing to pay for the loan of it This, which as every body, knows is called interest, is all that a person is enabled to get by merely abstaining from the immediate consumption of his capital, and allowing it to be used for productive purposes by The remuneration which is obtained in any country for mere abstinence, is measured by the current rate of interest on the best security. such security as precludes any appreciable chance of losing the principal What a person expects to gain, who superintends the employment of his own capital, is always more, and gene rally much more, than this The rate of profit greatly exceeds the rate of interest The surplus is partly compensa tion for risk By lending his capital, on unexceptionable security, he runs little But if he embarks in busior no risk ness on his own account, he always exposes his capital to some, and in many cases to very great, danger of partial or total loss For this danger he must be compensated, otherwise he will not incur it. He must likewise be remunerated for the devotion of his time and labour The control of the operations of industry usually belongs to the person who supplies the whole or the greatest part of the funds by which they are carried on, and who, according to the ordinary arrangement, is either alone interested, or is the person most interested (at least directly), in the result. To exercise this control with efficiency, if the concern is large and complicated, requires great assi duity, and often, no ordinary skill This ? assiduity and skill must be remunerated:

The gross profits from capital, the gains returned to those who supply the funds for production, must suffice for these three purposes They must afford a sufficient equivalent for abstineration for the labour and skill required for superintendence These different compensations may be either paid to the same, or to different per sons. The capital, or some part of it, may be borrowed may belong to some one who does not undertake the risks or the trouble of business. In that case, the lender, or owner, is the person who practises the abstinence, and is remunerated for it by the interest paid to him, while the difference between the interest and the gross profit remunerates the exertions and risks of the undertaker * Sometimes, again, the capital, or a part of it, is supplied by what is called a sleeping partner, who shares the risks of the employ ment, but not the trouble, and who, in consideration of those risks, receives not a mere interest, but a stipulated share of the gross profits Sometimes the capital is supplied and the risk incurred by one person, and the busi ness carried on exclusively in his name. while the trouble of management 18 made over to another, who is engaged for that purpose at a fixed salary Management, however, by hired servants, who have no interest in the result but that of preserving their salaries, is proverbially inefficient, unless they act under the inspecting eye, if not the controlling hand, of the person chiefly interested and prudence almost always recommends giving to a manager not thus controlled, a renuneration partly dependent on the profits, which virtually reduces the case to that of a sleeping partner finally, the same person may own the capital, and conduct the business, adding, if he will and can, to the man agement of his own capital, that of as much more as the owners may be will ing to trust him with. But under any and all of these arrangements, the same three things require their remuneration, and must obtain it from the gross profit abstinence, risk, exertion And the three parts into which profit may be considered as resolving itself, *It is to be regretted that this word, in

this sense, is not familiar to an English ear French political economists enjoy a great advantage in being able to speak currently

oi les prifits de l'entrepreneur

may be described respectively as interest, insurance, and wages of superintendence

The lowest rate of profit which can permanently exist, is that which is barely adequate, at the given place and time, to afford an equivalent for the abstinence, risk, and exertion im plied in the employment of capital. From the gross profit, has first to be deducted as much as will form a fund sufficient on the average to cover all losses incident to the employment. Next, it must afford such an equivalent to the owner of the capital for forbear ing to consume it, as is then and there a sufficient motive to him to per sist in his abstinence How much will be required to form this equivalent, depends on the comparative value placed, in the given society, upon the present and the future (in the words formerly used) on the strength of the effective desire of accumulation Further, after covering all losses, and remunerating the owner for forbearing to consume, there must be something left to recompense the labour and skill of the person who devotes his time to the This recompense too must be sufficient to enable at least the owners of the larger capitals to receive for their trouble, or to pay to some manager for his, what to them or him will be a sufficient inducement for undergoing it. If the surplus is no more than this, none but large masses of capital will be employed productively, and if it did not even amount to this, capital would be withdrawn from production, and unproductively consumed, until, by an indirect consequence of its diminished amount, to be explained hereafter, the rate of profit was raised.

Such, then, is the minimum of profits but that minimum is exceedingly variable, and at some times and places extremely low, on account of the great variableness of two out of its three elements. That the rate of necessary remuneration for abstinence, or in other words the effective desire of accumulation, differs widely in different states of society and civilization, has been seen in a former chapter.

There is a still wider difference in the l element which consists in compensa-, tion for risk. I am not now speaking of the differences in point of risk between different employments of capital in the same society, but of the very different degrees of security of property , in different states of society Where, thas in many of the governments of Asia, property is in perpetual danger of spoliation from a tyrannical government, or from its rapacious and illcontrolled officers, where to possess or to be suspected of possessing wealth, is to be a mark not only for plunder, but perhaps for personal ill treatment to extort the disclosure and surrender of hidden valuables, or where, as in the European middle ages, the weakness of the government, even when not itself inclined to oppress, leaves its subjects exposed without protection or red ess to active spolintion, or andacious withholding of just rights, by any powerful individual, the rate of profit which persons of average dispositions will require, to make them torego the immediate enjoyment of what they happen to possess, for the purpose of exposing it and themselves to these perils, must be something very considerable And these contingencies affect those who live on the mere interest of their capital, in common with those who personally engage in pro-In a generally secure state of society, the risks which may be attendant on the nature of particular employments seldom fall on the person who lends his capital, if he lends on good security, but in a state of society like that of many parts of Asia, no security (except perhaps the actual pledge of gold or jewels) is good and the mere possession of a hoard, when known or suspected, exposes it and the possessor to risks, for which scarcely any profit he could expect to obtain would be an equivalent, so that there would be still less accumulation than there is, if a state of insecurity did not also multiply the occasions on which the possession of a treasure may be the means of saving life, or averting serious Those who lend, under calamities these wretched governments, do it at | which, until a late alteration of the

the utmost penl of never being paid. In most of the native states of India, the lowest terms on which any one will lend money, even to the govern ment, are such, that if the interest is paid only for a few years, and the principal not at all, the lender is toler ably well indemnified If the accumu lation of principal and compound interest is ultimately compromised at a few shillings in the pound, he has generally made an advantageous bar-

§ 3 The remuneration of capital in different employments, much more than the remuneration of labour, varies according to the circumstances which render one employment more attractive, or more repulsive, than another The profits, for example, of retail trade, in proportion to the capital employed, exceed those of wholesale dealers or manufacturers, for this reason among others, that there is less consideration attached to the employ-The greatest, however, of these differences, is that caused by difference The profits of a gunpowder manufacturer must be considerably greater than the average, to make up tor the peculiar risks to which he and his property are constantly expessed. When, however, as in the case of marine adventure, the peculiar risks are capable of being, and commonly are, commuted for a fixed payment, the premium of insurance takes its regular place among the charges of production, and the compensation which the owner of the ship or cargo receives for that payment, does not appear in the estimate of his profits, but is included in the replacement of his capital.

The portion, too, of the gross profit, which forms the remuneration for the labour and skill of the dealer or producer, is very different in different em, This is the explanation ployments always given of the extraordinary rate of anothecaries' profit, the greatest part, as Adam Smith observes, being frequently no more than the reasonable wages of professional attendance, for

law, the anothecary could not demand | any remuneration, except in the prices of his drugs Some occupations require a considerable amount of scientific or technical education, and can only be carried on by persons who combine with that education a considerable capital Such is the business of an engineer, both in the original sense of the term, a machine maker, and in its popular or derivative sense, an undertaker of public works These are always the most profitable employments are cases, again in which a consider able amount of labour and skill is required to conduct a business necessarily of limited extent In such cases a higher than common rate of profit is necessary to yield only the common rate of remuneration "In a small scaport town," says Adam Smith, little grocer will make forty or fifty per cent upon a stock of a single hundred pounds, while a considerable wholesale merchant in the same place will scarce make eight or ten per cent upon a stock of ten thousand. The trade of the grocer may be necessary for the con veniency of the inhabitants, and the narrowness of the market may not admit the employment of a larger capital in the business. The man, however, must not only live by his but live by it suitably to y trade, the qualifications which it requires Besides possessing a little capital, he must be able to read, write, and acrount, and must be a tolerable judge. too, of perhaps fifty or sixty different forts of goods, their prices, qualities. and the markets where they are to be had cheapest. Thirty or forty pounds a year cannot be considered as too great a recompense for the labour of a person so accomplished. Deduct this from the seemingly great profits of his capital, and little more will remain, perhaps, than the ordinary profits of stocl The greater part of the apparent profit 18, in this case, too, real wages"

All the natural monopolies (meaning thereby those which are created by circumstances, and not by law) which produce or aggravate the disparities in the remuneration of different kinds of

forent employments of capital. business can only be advantageously carried on by a large capital, this in most countries limits so narrowly the class of persons who can enter into the employment, that they are enabled to keep their rate of profit above the general level A trade may also, from the nature of the case, be confined to so few hands, that profits may admit of being kept up by a combination! among the dealers It is well known that even among so numerous a body as the London booksellers, this sort of combination long continued to exist. I have already mentioned the case of the gas and water companies

After due allowance is made for these various causes of inequality, namely, differences in the risk or agreeableness of different employments, and natural or artificial monopolies,; the rate of profit on capital in all em ployments tends to an equality is the proposition usually laid down by political economists, and under proper explanations it is true

That portion of profit which is properly interest, and which forms the real remuneration for abstinence, 120 strictly the same, at the same time and? place, whatever be the employment. The rate of interest on equally good security, does not vary according to the destination of the principal, though it does vary from time to time very much, according to the circumstances of the market. There is no employ ment in which, in the present state of industry, competition is so active and incessant as in the lending and borrowing of money All persons in business are occasionally, and most of them constantly, borrowers while all persons not in business, who possess monied property, are lenders Between these two great bodies, there is a numerous, keen, and intelligent class of middlemen, composed of bankers, stockbrokers, discount brokers, and others, alive to the slightest breath of probable gain The smallest circumstance, or the most transient impression on the public mind, which tends to an increase or labour, operate similarly between dif- diminution of the demand for loans

either at the time or prospectively, operates immediately on the rate of and circumstances in the general state of trade, really tending to cause this difference of demand, are continually occurring, sometimes to such an extent, that the rate of interest on the best mercantile bills has been known to vary in little more than a year (even without the occurrence of the great derangement called a commercial crisis) from four or less, to eight or mne per cent But, at the same time and place, the rate of interest is the same, to all who can give equally good security The market rate of interest is at all times a known and definite thing

It is fir otherwise with gross profit, which, though (as will presently be seen) jit does not vary much from employment to employment, varies very greatly from individual to individual, and can scarcely be in any two cases the same At depends on the knowledge, talents, economy, and energy of the capitalist himself, or of the agents whom he employs, on the accidents of personal connexion, and even on chance any two dealers in the same trade, even if their commodities are equally good and equally cheap, carry on their business at the same expense, or turn over their capital in the same time That equal capitals give equal profits, as a general maxim of trade, would be as false as that equal age or size gives equal bodily strength, or that equal reading or experience gives equal knowledge. The effect depends as knowledge much upon twenty other things, as noon the single cause specified

But though profits thus vary, the parity, on the whole, of different modes of employing capital (in the absence of any natural or artificial monopoly) is, in a certain, and a very important sense, maintained. On an average (whatever may be the occasional fluctuations) the various employments of capital are on such a footing, as to hold out, not equal profits, but equal expectations of profit, to persons of average abilities and advantages. By equal, I mean after making compensation for any inferiority in the agree-

ableness or safety of an employment If the case were not so, if there were evidently, and to common experience, more favourable chances of pecumary success in one business than in others. more persons would engage their capital in the business, or would bring up their sons to it, which in fact always happens when a business, like that of an engineer at present, or like any newly established and prosperous manufacture, 18 seen to be a growing and thriving one If, on the contrary, a business is not considered thriving, if the chances of profit in it are thought to be inferior to those in other employments, capital gradually leaves it, or at least new capital is not attracted to it, and by this change in the distribution of capital between the less profitable and the more profitable employments, a sort of balance is restored The expectations of profit, therefore, in different employments, cannot long continue very different they tend to a common average, though they are generally oscillating from one side to the other side of the medium

This equalizing process, commonly described as the transfer of capital from one employment to another, is not necessarily the onerous, slow, and almost impracticable operation which it is very often represented to be the first place, it does not always im ply the actual removal of capital already embarked in an employment In a rapidly progressive state of capital, the adjustment often takes place by means of the new accumulations of each year, which direct themselves in preference towards the more thriving trades Even when a real transfer of capital is necessary, it is by no means implied that any of those who are engaged in the unprofitable employment, relinquish business and break up their establish ments The numerous and multifarrous channels of credit, through which, in commercial nations, unemployed capital diffuses itself over the field of employment, flowing over in greater abundance to the lower levels, are the means by which the equalization is accom-The process consists in a plished. limitation by one class of dealers or

producers, and an extension by the other, of that portion of their business which is carried on with borrowed capital There is scarcely any dealer or producer on a considerable scale, who confines his business to what can be carried on by his own funds. When trade is good, he not only uses to the utmost his own capital, but employs, in addition, much of the credit which that capital obtains for him When. either from over supply or from some slackening in the demand for his commodity, he finds that it sells more slowly or obtains a lower price, he con tracts his operations, and does not apply to bankers or other money dealers for a renewal of their advances to the same extent as before ness which is increasing holds out, on the contrary, a prospect of profitable employment for a larger amount of this floating capital than previously, and those engaged in it become applicants to the money dealers for larger ad vances, which, from their improving circumstances, they have no difficulty n obtaining A different distribution of floating capital between two em ployments has as much effect in restoring their profits to an equilibrium, as if the owners of an equal amount of capital were to abandon the one trade and carry their capital into the other This easy, and as it were spontaneous, method of accommodating production to demand, is quite sufficient to correct any inequalities arising from the fluctuations of trade, or other causes of ordinary occurrence. In the case of ar altogether declining trade, in which it is necessary that the production should be, not occasionally varied, but greatly and permanently diminished, or perhaps stopped altogether, the process of extracating the capital is, no doubt, tardy and difficult, and almost always attended with considerable loss, much of the capital fixed in machinery, buildings, permanent works, &c being either not applicable to any other purpose, or only applicable after expensive alterations, and time being seldom given for effecting the change the mode in which it would be effected with least loss, namely, by

wears out There is besides, in totally changing the destination of a capital, so great a sacrifice of established connexion, and of acquired skill and experience, that people are always very slow in resolving upon it, and hardly ever do so until long after a change of fortune has become hopeless. These however, are distinctly exceptional cases, and even in these the equalization is at last effected. It may also happen that the return to equilibrium 13 considerably protracted, when, before one inequality has been corrected, another cause of inequality arreas, which is said to have been continually the case during a long acries of years, with the production of cotton in the Southern States of North America, the commodity having been upheld at what was virtually a monopoly price, because the increase of demand, from successive improvements in the manufacture, went on with a rapidity so much beyond expectation, that for many years the supply never completely overtook it. But it is not often that a succession of disturbing causes, all acting in the same direction, are known to follow one another with hardly any Where there is no monopoly, interval the profits of a trade are likely to range sometimes above and sometimes below (the general level, but tending always to return to it, like the oscillations of the pendulum In general, then, although profits are very different to different individuals,

not replacing the fixed capital as it

and to the same individual in different years, there cannot be much diversity at the same time and place in the average profits of different employ ments, (other than the standing differ ences necessary to compensate for difference of attractiveness), except for short periods, or when some grant per manent resultion has overtaken a partıcular trade If any popular impression exists that some trades are more profitable than others, independently of monopoly, or of such rare accidents as have been noticed in regard to the cotton trade, the impression is in all probability fallacious, since if it were shared by those who have greatest

means of knowledge and motives to | accurate examination, there would take place such an influx of capital as would soon lower the profits to the common It is true that, to persons with the same amount of original means, there is more chance of making a large fortune in some employments than in others But it would be found that in those same employments bankruptores also are more frequent, and that the chance of greater success is balanced by a greater probability of complete failure. Very often it is more than balanced for, as was remarked in another case, the chance of great prizes operates with a greater degree of strength than arithmetic will warrant, in attracting competitors, and I doubt not that the average gains, in a trade in which large fortunes may be made, are lower than in those in which gains are slow, though comparatively sure, and in which nothing is to be ulti-mately hoped for beyond a competency The timber trade of Canada is one example of an employment of capital, partaking so much of the nature of a lottery, as to make it an accredited opinion that, taking the adventurers in the aggregate, there is more money lost by the trade than gained by it, in other words, that the average rate of profit is less than nothing In such points as this, much depends on the characters of nations, according as they partake more or less of the adventurous, or, as it is called when the intention is to blame it, the gambling spirit This spirit is much stronger in the United States than in Great Britain, and in Great Britain than in any country of the Continent In some Continental countries the tendency is so much the reverse, that safe and quiet employments probably yield a less average profit to the capital engaged in them, than those which offer greater gains at the price of greater hazards

It must not however be forgotten, that even in the countries of most active competition, custom also has a considerable share in determining the profits of trade. There is sometimes an idea affoat as to what the profit of an employment should be, which though

not adhered to by all the dealers, nor perhaps rigidly by any, still exercises a certain influence over their operations There has been in England a kird of notion, how widely prevailing I know not, that fifty per cent is a proper and? suitable rate of profit in retail thinsactions understand, not fifty per cent on the whole capital, but an advance of fifty per cent on the wholesale prices, from which have to be defrayed bad debts, shop rent, the pay of clerks, shopmen, and agents of all descriptions, in short all the expenses of the retail business. If this custom were universal, and strictly adhered to, competition indeed would still operate, but the consumer would not derive any benefit from it, at least as to price, the way in which it would diminish the advantages of those engaged in retail trade, would be by a greater subdivision of the business In some parts of the Continent the standard is as high as a hundred per cent. The increase of competition however, in England at least, is rapidly tending to break down customs of this description majority of trades, (at least in the great emporia of trade,) there are numerous dealers whose motto is "small gains and frequent"—a great business at low prices, rather than high prices and few transactions, and by turning over their capital more rapidly, and adding to it by borrowed capital when needed, the dealers often obtain individually higher profits, though they necessarily lower the profits of those among their competitors, who do not adopt the same principle Nevertheless, com petition, as remarked* in a previous chapter, has, as yet, but a limited dominion over retail prices, and consequently the share of the whole produce of land and labour which is absorbed in the remuneration of mere distributors, continues exorbitant, and there is no function in the economy of society which supports a number of persons so disproportionate to the amount of work to be performed.

§ 5 The preceding remarks have, I hope, sufficiently elucidated what is

* Vide supra, book it ch iv § 3

meant by the common phrase, "the ordinary rate of profit," and the sense in which, and the limitations under which, this ordinary rate has a real existence. It now remains to consider, what causes determine its amount.

To popular apprehension it seems as if the profits of business depended upon prices A producer or dealer seems to obtain his profits by selling his commodity for more than it cost him Profit altogether, people are apt to think, is a consequence of purchase and sale It is only (they suppose) because there are purchasers for a commodity, that the producer of it is able to make anv profit Domand — customers — a market for the commodity, are the cause of the gains of capitalists by the sale of their goods, that they replace their capital, and add to its amount

This, however, is looking only at the outside surface of the economical machinery of society. In no case, we find, is the mere money which passes from one person to another, the fundamental matter in any economical phenomenon. If we look more narrowly into the operations of the producer, we shall perceive that the money he obtains for his commodity is not the cause of his having a profit, but only the mode in which his profit is paid to him.

The cause of profit is, that labour produces more than 18 required for its The reason why agricultural support capital yields a profit, is because human beings can grow more food, than is necessary to feed them while it is being grown, including the time occupied in constructing the tools, and making all other needful preparations, from which it is a consequence, that if a capitalist undertakes to feed the la bourers on condition of receiving the produce, he has some of it remaining for himself after replacing his advances To vary the form of the theorem reason why capital yields a profit, is because food, clothing, materials and tools, last longer than the time which was required to produce them, so that if a capitalist supplies a party of labourers with these things, on con

dition of receiving all they produce, they will, in addition to reproducing their own necessaries and instruments, have a portion of their time remaining, to work for the capitalist We thus p see that profit arises, not from the in cident of exchange, but from the productive power of labour, and the general profit of the country is always what the productive power of inbour makes it, whether any exchange takes placed If there were no division of employments, there would be no buy-If the labourers of the country collectively produce twenty per cent more than their wages, profits will be per cent, whatever prices The accidents of may or may not be price may for a time make one set of producers get more than twenty per cent, and another less, the one commodity being rated above its natural value in relation to other commodities, and the other below, until prices have again adjusted themselves, but there will always be just twenty per cent divided among them all

I proceed, in expansion of the considerations thus briefly indicated, to exhibit more minutely the mode in which the rate of profit is determined

I assume, throughout, the state of things, which, where the labourers and capitalists are separate; classes, prevails, with few exceptions, -, universally, namely, that the capitalist advances the whole expenses, including the entire remuneration of the labourer That he should do so, is not a matter t of inherent necessity, the labourer might wait until the production 15'// complete, for all that part of his wages which exceeds mere necessaries, and even for the whole, if he has funds in, hand, sufficient for his temporary sup-f port. But in the latter case, the la bourer is to that extent really a capitalist, investing capital in the concern, by supplying a portion of the funds neces sary for carrying, it on , and even in the former case he may be looked upon in the same light, since, contributing his labour at less than the market price, he may be regarded as lending the difference to his employer, and receiving it back with interest (on whatever principle computed) from the proceeds

of the enterprise

The capitalist, then, may be assumed to make all the advances and receive all the produce His profit consists of the excess of the produce above the advances, his rate of profit is the ratio which that excess bears to the amount advanced. But what do the advances consist of?

It is, for the present, necessary to suppose, that the capitalist does not pay any rent, has not to purchase the use of any appropriated natural agent This indeed is scarcely over the exact truth The agricultural capitalist, except when he is the owner of the soil he cultivates, always, or almost always, pays rent and even in manufactures, (not to mention ground rent,) the materials of the manufacture have generally paid rent, in some stage of their production The nature of rent however, we have not yet taken into consideration, and it will hereafter appear, that no practical error, on the question we are now examining, is produced by disregarding it

If, then, leaving rent out of the question, we inquire in what it is that the advances of the camtalists, for purposes of production, consists, we shall find that they consist of wages of

labour.

A large portion of the expenditure of every capitalist consists in the direct payment of wages What does not consist of this, is composed of materials and unplements, including buildings But materials and implements are produced by labour, and as our supposed capitalist is not meant to represent a single employment, but to be a type of the productive industry of the whole country, we may suppose that he makes his own tools, and raises his own materials He does this by means of previous advances, which, again, consist wholly of wages. If we suppose him to buy the materials and tools instead of producing them, the case is not altered he then repays to a previous producer the wages which that previous producer has paid It is | labour,

true, he repays it to nim with a profit, and if he had produced the things himself, he himself must have had that profit, on this part of his outlay, as well as on every other part. The fact. however, remains, that in the whole process of production, beginning with the materials and tools, and ending with the finished product, all the advances have consisted of nothing but wages, except that certain of the capitalists concerned have, for the sake of general convenience, had their share of profit paid to them before the operation was completed Whatever, of the ultimate product, is not profit, is repayment of wages

It thus appears that the two! elements on which, and which alone, the gains of the capitalists depend, are, first, the magnitude of the produce, in other words, the productive power of labour, and secondly, the proportion of that produce obtained by the labourers themselves, the ratio, which the remulineration of the labourers bears to the amount they produce These two things form the data for determining the gross amount divided as profit among all the capitalists of the country, but the rate of profit, the percentage on the capital, depends only on_the second of the two-elements, the labourer's proportional share, and not on the amount to be shared. If the produce of labour were doubled, and the labourers obtained the same proportional share as before, that is, it their remuneration was also doubled, the capitalists, it is true, would gain twice as much, but as they would also have had to advance twice as much, the rate of their profit would be only the same as be-

We thus arrive at the conclusion of Ricardo and others, that the rate of profits depends on wages, rising as wages fall, and falling as wages rise In adopting, however, this doctrine, I must must upon making a most necessary alteration in its wording. Instead of saying that profits depend on wages, let us sav (what Ricardo really meant) that they depend on the cost of

Wages, and the cost of labour, what I labour brings in to the labourer, and what it costs to the capitalist, are ideas quite distinct, and which it is of the utmost importance to keep so For this purpose it is essential not to designate them, as is almost always done, by the same name. Wages, in public discussions, both oral and printed, being looked upon from the point of view of the payers, much oftener than from that of the receivers, nothing is more common than to say that wages are high or low, meaning only that the cost of labour is high or low The reverse of this would be oftener the truth (cost of labour is frequently at its highest where wages are lowest. This may ranse from two causes In the first place, the labour, though cheap, may be inefficient. In no European country are wages so low as they are (or at least were) in Ireland, the remunera tion of an agricultural labourer in the west of Ireland not being more than half the wages of even the lowest-paid Englishman, the Dorsetshire labourer But if, from inferior skill and industry, two days' labour of an Irishman accom plished no more work than an English labourer performed in one, the Irish man's labour cost as much as the Englishman's, though it brought in so much less to himself. The capitalist's profit is determined by the former of these two things, not by the latter That a difference to this extent really existed in the efficiency of the labour, is proved not only by abundant testimony, but by the fact, that notwithstanding the lowness of wages, profits of capital are not understood to have been higher in Ireland than in England

The other cause which renders wages, and the cost of labour, no real criteria of one another, is the varying costliness of the articles which the labourer consumes. If these are cheap, wages, in the sense which is of importance to the labourer, may be high, and yet the cost of labour may be low, if dear, the labourer may be wretchedly off, though his labour may cost much to the capitalist. This last is the condition of a country over peopled in relation to its

land, in which, food being dear, the poorness of the labourer's real reward does not prevent labour from costing much to the purchaser, and low wages and low profits co-exist The opposite case is exemplified in the United States of America The labourer there enjoys a greater abundance of comforts than in any other country of the world, ex cept some of the newest colonies, but owing to the cheap price at which? these comforts can be obtained (combined with the great efficiency of the labour,) the cost of labour is at least not higher, nor the rate of profit lower, than in Europe

The cost of labour, then, as, in the language of mathematics, a function of three variables the efficiency of labour , the wages of labour (meaning thereby the real reward of the labourer), and the greater or less cost at which the articles composing that real reward can be produced or procured. It is plain that the cost of labour to the capitalist must be influenced by each of these three circumstances, and by no These, therefore, are also the circumstances which determine the rate of profit, and it cannot be in any way affected except through one or other of them If labour generally became more efficient, without being more highly rewarded, if, without its becoming less efficient, its remuneration fell no in crease taking place in the cost of the articles composing that remuneration, or if those articles became less costly without the labourer's obtaining more of them, in any one of these three cases, profits would rise If, on the contrary, labour became less efficient (as it might do from diminished bodily vigour in the people, destruction of fixed capital, or deteriorated education), or if the labourer obtained a higher remuneration, without any increased cheap-ness in the things composing it, or if, without his obtaining more, that which he did obtain became more costly, profits, in all these cases, would suffer a diminution. And there is no other combination of circumstances, in which the general rate of profit of a country, in all employments indifferently, car either fall or rise,

The evidence of these propositions can only be stated generally, though, it is hoped, conclusively, in this stage of our subject It will come out in greater fulness and force when, having taken into consideration the theory of Value and Price, we shall be enabled to exhibit the law of profits in the concrete-in the complex entanglement

of circumstances in which it actually This can only be done in the ensuing Book One topic still remains to be discussed in the present one, so far as it admits of being treated indo pendently of considerations of Value the subject of Rent, to which we now proceed

OHAPTER XVL

OF RENT

§ 1 The requisites of production being | labour, capital, and natural agents, the only person, besides the labourer and the capitalist, whose consent is necessary to production, and who can clum a share of the produce as the price of that consent, is the person who, by the arrangements of society, posserves exclusive power_over_some na turd agent The land is the principal of the natural agents which are capable of being appropriated, and the consi deration paid for its use is called rent. Landed proprietors are the only class, of any numbers or importance, who have a claim to a share in the distribution of the produce, through their ownership of something which neither they nor any one else have produced If there oe any other cases of a similar nature, they will be easily understood, when the nature and laws of rent are comprehended

It is at once evident, that rent is the effect of a monopoly, though the monopoly is a natural one, which may be regulated which may even be held as a trust for the community generally, but which cannot be prevented from existing The reason why landowners are able to require rent for their land, is that it is a commodity which many want, and which no one can obtain but from them If all the land of the country belonged to one person, he could fix the rent at his pleasure. The whole people would be dependent on

he might make what conditions he chose This is the actual state of things in those Oriental kingdoms in which the land is considered the property of the state Rent is then contounded with taxation, and the despot may exact the utmost which the unfortunate cul tivators have to give Indeed, the exclusive possessor of the land of a country could not well be other than despot of it. The effect would be much the same if the land belonged to so few people that they could, and did, act together as one man, and fix the rent by agree ment among themselves This case. however, is nowhere known to exist and the only remaining supposition is that of free competition, the land owners being supposed to be, as in fact they are, too numerous to combine

§ 2 A thing which is limited in ! quantity, even though its possessors do [not act in concert, is still a monopolized article But even when monopobred, a thing which is the gift of nature, and requires no labour or outlay as the condition of its existence, c will, if there be competition among the holders of it, command a price, only if it exists in less quantity than the de-If the whole land of a country were required for cultivation, all of it But in no country might yield a rent of any extent do the wants of the population require that all the land, which is capable of cultivation, should his will for the necessaries of life, and | be cultivated The food and other

agricultural produce which the people ! need, and which they are willing and able to pay for at a price which remunerates the grower, may always be obtained without cultivating all the land, sometimes without cultivating more than a small part of it, the lands most easily cultivated being proferred in a very early stage of society, the more fertile, or those in the more convenient situations, in a more ad vanced state There is always, there fore, some land which cannot, in existing circumstances, pay any rent, and 'no land ever pays rent, unless, in point of fertility or situation, it belongs to Ithose superior kinds which exist in less quantity than the demand-which cannot be made to yield all the produce required for the community, un less on terms still less advantageous than the resort to less favoured soils

There is land, such as the descris of Arabia, which will yield nothing to any amount of labour, and there is land, like some of our hard sandy heatlis, which would produce something, but, in the present state of the soil, not enough to defray the expenses of production Such lands, unless by some application of chemistry to agriculture still remain ing to be invented, cannot be cultivated for profit, unless some one actually creates a soil, by spreading new ingredients over the surface, or mixing them with the existing materials ingredients fitted for this purpose exist in the subsoil, or close at hand, the improvement even of the most unpromising spots may answer as a speculation but if those ingredients are costly, and must be brought from a distance, it will seldom answer to do this for the sake of profit, though the "magic of property" will sometimes effect it Land which cannot possibly yield a profit, 18 sometimes cultivated at a loss. the cultivators having their wants partially supplied from other sources. as in the case of paupers, and some monasteries or charitable institutions. among which may be reckoned the Poor Colonies of Belgium. The worst land which can be cultivated as a means of subsistence, is that which will just replace the seed, and the food

of the labourers employed on it together with what Dr Chalmerel calls their secondares, that is, the Inbourers required for supplying them with tools, and with the remaining necessaries of life Whether any given land is capable of doing more than this, is not a question of political economy, but of physical fact. The supposition leaves nothing for profits, nor anything for the labourers except necessaries the land, therefore, can only be cultivated by the labourers themselves, or elsel at a pecuniary loss and a fortion, cannot in any contingency afford a The worst land which can be cultivated as an investment for capital, is that which, after replacing the seed, not only feeds the agricultural labourers and their secondaries, but affords them the current rate of wages, which may extend to much more than more necessames, and leaves for those who have advanced the wages of these two classes of labourers, a surplus equal to the profit they could have expected from any other employment of their capital. Whether any given land can do more than this, is not merely a physical question, but depends partly on the market value of agricultural produce What the land can do for the labourers and for the capitalist, beyond feeding) all whom it directly or indirectly employs, of course depends upon what the remainder of the produce can be sold) The higher the market value of produce, the lower are the soils to which cultivation can descend, con sistently with affording to the capital employed, the ordinary rate of profit

As, however, differences of fertility slide into one another by insensible gradations, and differences of accessibility, that is, of distance from markets, do the same, and since there is land so barren that it could not pay for its cultivation at any price, it is evident that, whatever the price may be, there must in any extensive region be some land which at that price will just pay the wages of the cultivators, and yield to the capital employed the ordinary profit, and no more. Until, therefore, the price rises higher, or until some improvement raises that particular.

fined to a higher place in the scale of f fertility, it cannot pay any rent 11.19 feriders, however, that the community needs the produce of this quality of lland since if the lange more fertile or better situated than it, could have suffeed to supply the nants of each to, the pass no lid not have usen so had as to reader ats cultivation profitable This land, therefore will be cultivated, and we may by it down as a principle, that so long as any of the land of a country which is fit for cultivation, and ret withheld from it by legal or other fictitions obstacles, is not cultivated, the nors! land in actual cultivation (in point of fertility and situation together) pays no nat

If, then, of the land in cultivation, the part which yields least return to the labour and capital employed on it gives only the ordinary profit of capital, without leaving anything for rent, a standard is afforded for estimating the amount of rent which will be yielded by all other land fand yields just as much more than the ordinary profits of stock, as it vields more than what is a turned by the worst land in cultivation surplus is what the farmer can afford to pay as rent to the landlord, and since, if he did not so pay it, he would receive more than the ordinary rate of profit, the competition of other capitalisis, that competition which equalizes the profits of different expitals, will enable the landlord to approprinte it. The rent, therefore, which any land will yield, is the excess of its produce, beyond what would be returned to the same capital if employed top the worst land in cultivation is not, and never was pretended to be, the limit of metaler rents, or of cottier reuts, but it is the limit of farmers' No land rented to a capitalist farmer will permanently yield more than this, and when it yields less, it is because the landlord foregoes a part of what, if he chose, he could obtain

This is the theory of rent, first propounded at the end of the last century by Dr Anderson, and which, neglected at the time, was almost simultaneously

rediscovered, twenty years later, by Sir Edward West, Mr Malthus, and Mr Ricardo It is one of the cardinal doctrines of political economy, and until it was understood, no consistent explanation could be given of many of the more complicated industrial pheno The evidence of its truth will be manifested with a great increase of elearness, when we come to trace that laws of the phenomena of Value and Urtil that is done, it is not possible to free the doctrine from every difficulty which may present itself, nor I rhaps to convey, to those previously unrequainted with the subject, more than a general apprehension of the reasoning by which the theorem is Some, however, of the ob nrared at jectious commonly made to it, admit of a complete answer even in the pro sent stage of our inquiries

It has been demed that there can bei any land in cultivation which pays no rent, because landlords (it is con tended) would not allow their land to be occupied without payment. Those who lay any stress on this as an objection, must think that land of the quality which can but just pay for its cultivation, lies together in large masses, detached from any land of better quality. If an estate consisted wholly of this land, or of this and still worse, it is likely enough that the owner would not give the use of it for nothing, he would probably (if a rich man) profer keeping it for other purposes, as for exercise, or ornament, or perhaps as a gumo preservo farmer could afford to offer him any thing for it, for purposes of culture, though something would probably be obtained for the use of its natural pas ture, or other spontaneous produce Even such land, however, would not necessarily remain uncultivated night be farmed by the proprietor, no unfrequent case even in England Por tions of it might be granted as tom porary allotments to labouring families, either from philanthropic motives, or to save the poor rate, or occupation might be allowed to squatters, free of rent, in the hope that their labour might give it value at some future

Both these cases are of quite period. ordinary occurrence So that even if an estate were wholly composed of the worst land capable of profitable cultivation, it would not necessarily he uncultivated Inferior because it could pay no rent. lland, however, does not usually occupy, without interruption, many square miles of ground, it is dispersed here and there, with patches of better land intermixed, and the same person who rents the better land, obtains along with it the inferior soils which alter nate with it He pays a rent, nomi nally for the whole farm, but calculated on the produce of those parts alone (however small a portion of the whole) which are capable of returning more than the common rate of profit thus scientifically true, that the remaining parts pay no rent

§ 4. Let us, however, suppose that there were a validity in this objection, which can by no means be conceded to it, that when the demand of the community had torced up food to such a price as would remunerate the expense of producing it from a certain quality of soil, it happened nevertheless that all the soil of that quality was with held from cultivation, by the obstinacy of the owners in demanding a rent for , it, not nominal, nor trifling, but suffi ciently onerous to be a material item in the calculations of a farmer would then happen? Merely that the increase of produce, which the wants of society required, would for the time be obtained wholly (as it always is partially), not by an extension of cultivation, but by an increased application of labour and capital to land already cultivated

Now we have already seen that this increased application of capital, other things being unaltered, is always attended with a smaller proportional return. We are not to suppose some new agricultural invention made precisely at this juncture, nor a sudden extension of agricultural skill and knowledge, bringing into more general practice, just then, inventions already in partial use. We are to suppose no change, except a demand for more corn, and a

consequent rise of its price The rise of price enables measures to be taken for increasing the produce, which could not have been taken with profit at the The farmer uses more previous price expensive manures, or manures land which he formerly left to nature, or procures lime or marl from a distance, as a dressing for the soil, or pulverizes or weeds it more thoroughly, or drains, irrigates, or subsoils portions of it, which at former prices would not have paid the cost of the operation, and so These things, or some of them, are done, when, more food being wanted, cultivation has no means of expanding itself upon new lands And when the impulse is given to extract an increased amount of produce from the soil, the farmer or improver will only consider whether the outlay he makes for the purpose will be returned to him with the ordinary profit, and not whether any surplus will remain for rent Even, therefore, if it were the fact, that there is never any land taken into cultivation, for which rent, and that too of an amount worth taking into consideration, was not paid, it would be true, nevertheless, that there is always some agricultural capital which pays no rent, because it returns nothing beyond the ordinary rate of profit this capital being the portion of capital last applied -that to which the last addition to the produce was due, or (to express the essentials of the case in one phrase), that which is applied in the least favourable circumstances But the same amount of demand, and the same price, which enable this least productive portion of capital barely to replace itself with the ordinary profit, enable every other portion to yield a surplus proportioned to the advantage it possesses surplus it is, which competition enables the landlord to appropriate The rent of all land is measured by the excess of the return to the whole capital employed on it, above what is necessary to replace the capital with the ordinary rate of profit, or in other words, above what the same capital would yield if it were all employed in as disadvan tageous circumstances as the least productive portion of it whether that least i RENT 259

productive portion of capital is rendered so by being employed on the worst soil, for by being expended in extering more produce from land which already yielded as much as it could be made to part with on easier terms

It is not pretended that the facts of any concrete case conform with absolute precision to this or any other scientific principle We must never forget that the truths of political economy are truths only in the rough have the certainty, but not the precision of exact science It is not for example, strictly true that a farmer will cultivate no land, and apply no capital, which returns less than the or dinary profit He will expect the ordi nary profit on the bulk of his capital. But when he has cast in his lot with his farm, and bartered his skill and exertions, once for all, against what the farm will yield to him, he will probably be willing to expend capital on it (for an immediate return) in any man ner which will afford him a surplus profit, however small, beyond the value of the risk, and the interest which he must pay for the capital if borrowed, or can get for it elsewhere if it is his own But a new farmer, entering on the land, would make his calculations differently, and would not commence unless he could expect the full rate of ordinary profit on all the capital which he in tended embarking in the enterprise Again, prices may range higher or flower during the currency of a lease, than was expected when the contract was made, and the land, therefore, may be over or under-rented and even when the lease expires, the landlord may be unwilling to grant a necessary diminution of rent, and the farmer, rather than relinquish his occupation, or seek a farm elsewhere when all are occupied, may consent to go on paying Irregularities like too high a rent these we must always expect, it is impossible in political economy to obtain general theorems embracing the com plications of circumstances which may affect the result in an individual case When, too, the farmer class, having but little capital, cultivate for subsistence rather than for profit, and do not |

think of quitting their farm while they are able to live by it, their rents approximate to the character of cottier rents, and may be forced up by compe tition (if the number of competitors exceeds the number of farms) beyond the amount which will leave to the farmer the ordinary rate of profit The laws which we are enabled to lay down respecting rents, profits, wages, prices, are only true in so far as the persons concerned are free from the influence of any other motives than those arising from the general circumstances of the case, and are guided, as to those, by the ordinary mercantile estimate of profit and loss Applying this twofold supposition to the case of farmers and landlords, it will be true that the farmer requires the ordinary rate of profit on the whole of his capital, that whatever it returns to him beyond this he is obliged to pay to the landlord, but will not consent to pay more, that there is a portion of capital applied to agricul ture in such circumstances of productiveness as to yield only the ordinary profits, and that the difference between the produce of this, and of any other capital of similar amount, is the measure of the tribute which that other capital can and will pay, under the name of rent, to the landlord constitutes a law of rent, as near the truth as such a law can possibly be though of course modified or disturbed in individual cases, by pending con tracts, individual miscalculations, the influence of habit, and even the particular feelings and dispositions of the persons concerned

§ 5 A remark is often made, which must not here be omitted, though, I think, more importance has been attached to it than it ments. Under the name of rent, many payments are commonly included, which are not a remuneration for the original powers of the land itself, but for capital expended on it. The additional rent which land yields in consequence of this outlay of capital, should, in the opinion of some writers, be regarded as profit, not rent But before this can be admitted, a distinction must be made. The annual

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payment by a tenant almost always includes a consideration for the use of the buildings on the farm, not only barns, stables, and other outhouses, but a house to live in, not to speak of fonces and the like The landlord will ask, and the tenant give, for these, whatever is considered sufficient to yield the ordinary profit, or rather (risk and trouble being here out of the question) the ordinary interest, on the value of the buildings, that is, not on what it has cost to erect them, but on what it would now cost to erect others ! as good the tenant being bound, in addition, to leave them in as good repair as he found them, for otherwise a much larger payment than simple in terest would of course be required from him These buildings are as distinct a thing from the farm, as the stock or the timber on it, and what is paid for them can no more be called rent of land, than a payment for cattle would be, if it were the custom that the landlord should stock the farm for The buildings, like the the tenant cattle, are not land, but capital, regu larly consumed and reproduced, and all payments made in consideration for them are properly interest.

But with regard to capital actually sunk in improvements, and not requiring periodical renewal, but spent once for all in giving the land a permanent increase of productiveness, it appears to me that the return made to such capital loses altogether the character of profits, and is governed by the prin ciples of rent It is true that a land ford will not expend capital in improv ing his estate, unless he expects from the improvement an increase of income, surpassing the interest of his outlay Prospectively, this increase of income I may be regarded as profit, but when the expense has been incurred, and the improvement made, the rent of the improved land is governed by the same rules as that of the unimproved. Equally fertile land commands an equal rent, whether its fertility is natural or acquired, and I cannot think that the incomes of those who own the Bedford Level or the Lincolnshire wolds, ought to be called profit and not ront, because

those lands would have been worth next to nothing unless capital had been expended on them. The owners are not capitalists, but landlords, they have parted with their capital, it is consumed, destroyed, and neither is, nor is to be, returned to them, like the capital of a farmer or manufacturer, from what it produces. In heu of it they now have land, of a certain richness, which yields the same rent, and by the operation of the same causes, as if it had possessed from the beginning the degree of fertility which has been artificially given to it.

Some writers, in particular Mr H Carey, take away, still more com pletely than I have attempted to do, the distinction between these two sources of rent, by rejecting one of them altogether, and considering all rent as the effect of capital expended In proof of this, Mr Carey contends that the whole pecuniary value of all the land in any country, in England for instance, or in the United States, does not amount to anything approach ing to the sum which has been laid out, or which it would even now be necessary to lay out, in order to bring the country to its present condition from a state of primæval forest startling statement has been seized on by M Bastiat and others, as a means of making out a stronger case than could otherwise be made in defence of property in land Mr Carey's proposi tion, in its most obvious meaning, 18 equivalent to saying, that if there were suddenly added to the lands of England an unreclaimed territory of § equal natural fertility, it would not be worth the while of the inhabitants of England to reclaim it because the profits of the operation would not be equal to the ordinary interest on the capital expended. To which assertion if any answer could be supposed to be required, it would suffice to remark, that land not of equal but of greatly inferior quality to that previously cul tivated, is continually reclaimed in England, at an expense which the subsequently accruing rent is sufficient to replace completely in a small number of years The doctrine, moreover, is

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totally opposed to Mr Carey's own; economical opinions No one maintains more strenuously than Mr Carey the undoubted truth, that as society advances in population, wealth, and combination of labour, land constantly rises in value and price This, however, could not possibly be true if the present value of land were less than the expense of clearing it and making it fit for cultivation, for it must have been worth this immediately after it was cleared, and according to Mr Carey it has been rising in value over since When, however, Mr Carey asserts that the whole land of any country is not now worth the capital which has been expended on it, he does not mean that each particular estate is worth less than what has been laid out in improving it, and that, to the proprietors, the improvement of the land has been, on the final result, a mis-He means, not that the calculation land of Great Britain would not now sell for what has been laid out upon it, but that it would not sell for that amount, plus the expense of making all the roads, canals, and railways. This is probably true, but is no more to the purpose, and no more important in political economy, than if the state ment had been that it would not sell for the sums laid out upon it plus the national debt, or plus the cost of the French Revolutionary war, or any other expense incurred for a real or imaginary public advantage The roads, railways, and canals, were not constructed to give value to land the contrary, their natural effect was to lower its value, by rendering other and rival lands accessible and the landholders of the southern counties actually petitioned Parliament against the turnpike roads on this very account The tendency of improved com munications is to lower existing rents, by trenching on the monopoly of the land nearest to the places where large numbers of consumers are assembled Roads and canals are not intended to raise the value of the land which supplies the markets, but

other and more distant lands and the more effectually this purpose is at tained, the lower rent will be If we could imagine that the railways and canals of the United States, instead of only cheapening communication, did their business so effectually as to annihilate cost of carriage altogether, and enable the produce of Michigan to reach the market of New York as quickly and as cheaply as the produce of Long Island—the whole value of all the land of the United States (except such as hes convenient for building) would be annihilated, or rather, the best would only sell for the expense of clearing, and the govern ment tax of a dollar and a quarter per acre, since land in Michigan, equal to the best in the United States, may be had in unlimited abundance by that amount of outlay But it is strange that Mr Carev should think this fact inconsistent with the Ricardo theory Admitting all that he as of rent. serts, it is still true that as long as there is land which yields no rent, the land which does yield rent, does so in consequence of some advantage which it enjoys, in fertility or vicinity to markets, over the other, and the measure of its advantage is also the And the cause of measure of its rent its yielding rent, is that it possesses a natural monopoly, the quantity of land, as favourably circumstanced as itself, not being sufficient to supply the market These propositions con stitute the theory of rent, laid down by Ricardo, and if they are true, I cannot see that it signifies much whether the rent which the land yields at the present time, is greater or less than the interest of the capital which has been laid out to raise its value, together with the interest of the capital which has been laid out to lower its value

Mr Carey's objection, however, has somewhat more of ingenuity than the arguments commonly met with against the theory of rent a theorem which may be called the pons asinorum of political economy, for there are, I am (among other purposes) to cheapen the inclined to think, few persons who supply, by letting in the produce of have refused their assent to it except inclined to think, few persons who

from not having thoroughly under stood it. The loose and inaccurate way in which it is often apprehended by those who affect to refute it, is very Many, for instance, have remarkable imputed absurdity to Mr Ricardo's theory, because it is absurd to say that the cultivation of inferior land is the cause of rent on the superior Ricardo does not say that it is the cul tivation of inferior land, but the neceserty of cultivating it, from the insufficiency of the superior land to feed a growing population between which and the proposition imputed to him there is no less a difference than that between demand and supply again allege as an objection against Ricardo, that if all land were of equal fertility, it might still yield a rent But Ricardo says precisely the same He says that if all lands were equally fertile, those which are nearer to their market than others, and are therefore less burthened with cost of car nage, would yield a rent equivalent to the advantage, and that the land yielding no rent would then be, not the least fertile, but the least advantageously atuated, which the wants of the community required to be brought | into cultivation It is also distinctly a portion of Ricardo's doctrine, that even apart from differences of situation, the land of a country supposed to be of uniform fertility would, all of it, on a certain supposition, pay rent namely, if the demand of the community required that it should all be cultivated. and cultivated beyond the point at which a further application of capital begins to be attended with a smaller proportional return. It would be im possible to show that, except by forcible exaction, the whole land of a country can yield a rent on any other supposition

§ 6 After this view of the nature and causes of rent, let us turn back to the subject of profits, and bring up for reconsideration one of the propositions laid down in the last chapter. We there stated, that the advances of the capitalist, or in other words, the expenses of production consist solely in

wages of labour, that whatever por tion of the outlay 18 not wages, 18 previous profit, and whatever is not pref vious profit, is wages Rent, however, being an element which it is impossible to resolve into either profit or wages, we were obliged, for the moment, to assume that the capitalist is not required to pay rent-to give an equiva lent for the use of an appropriated and I undertook to natural agent show in the proper place, that this is an allowable supposition, and that rent does not really form any part of the ex penses of production, or of the advances of the capitalist. The grounds on which this assertion was made are now apparent. It is true that all tenant far mers, and many other classes of producers, pay rent. But we have now seen, that whoever cultivates land, paying a rent for it, gets in return for his rent an instrument of superior power to other instruments of the same kind for which no rent is paid! The superiority of the instrument is in exact proportion to the rent paid; If a few persons had steam engines of superior power to all others in existence, but limited by physical laws to a number short of the demand, the rent which a manufacturer would be willing to pay for one of these steam-engines could not be looked upon as an addition to his outlay, because by the use of it he would save in his other expenses the equivalent of what it cost him without it he could not do the same quantity of work, unless at an additional expense equal to the rent. The same thing is true of land. The real expenses of proj duction are those incurred on the worst land, or by the capital employed in the least favourable circumstances? This land or capital pays, as we have seen, no rent but the expenses to which it is subject, cause all other land or agricultural capital to be subjected to an equivalent expense in the form Whoever does pay rent, gets! of rent back its full value in extra advantages, and the rent which he pays dces not place him in a worse position than, but only in the same position as his fellow producer who pays no rent;

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but whose instrument is one of inferior | and Price

efficiency

We have now completed the exposition of the laws which regulate the distribution of the produce of land, labour, and capital, as far as it is possible to discuss those laws independently of the instrumentality by which in a civilized society the distribution is effected, the machinery of Exchange

and Price The more complete elucidation and final confirmation of the laws which we have laid down, and the deduction of their most important con sequences, must be preceded by an explanation of the nature and working of that machinery—a subject so extensive and complicated as to require a separate Book

BOOK III.

EXCHANGE

CHAPTER L

OF VALUE.

§ 1 The subject on which we are non about to enter fills so important and conspicuous a position in political economy, that in the apprehension of some thinkers its boundaries confound themselves with those of the science One eminent writer has proposed as a name for Political Economy, "Catallactics," or the science of ex changes by others it has been called the Science of Values If these deno- | minations had appeared to me logically correct, I must have placed the discusthe commencement of our enquiry instead of postponing it to the Third Part, and the possibility of so long deferring it is alone a sufficient proof that in the preceding Books we have not escaped the necessity of anticipating some small portion of the theory of Value, especially as to the value of labour and of land It is nevertheless evident, that of the two great departments of Political Economy, the production of wealth and its distribution, the consideration of Value has to do with the latter alone, and with that only so far as competition, and not usage or custom, is the distributing agency The conditions and laws of Production would be the same as they are, if the arrangements of society did not depend on exchange, or did not admit of it Even in the present system of industrial life, in which em ployments are minutely subdivided, and all concerned in production de-

pend for their remuneration on the price of a particular commodity, ex change is not the fundamental law of the distribution of the produce, no more than roads and carriages are the essential laws of motion, but merely a part of the machinery for effecting it. To confound these ideas, seems to me not only a logical, but a practical blunder It is a case of the error too blunder common in nonrical economy, of not distinguishing between necessities. sion of the elementary laws of value at | those created by social arrangements arising from the nature of things, and an error which appears to me to be at all times producing two opposite mischiefs, on the one hand, causing political that this view of the nature of Political porary truths of their subject among its permanent and universal laws, and on the other, leading many persons to mistake the permanent laws of Pro. duction (such as those on which the necessity is grounded of restraining population) for temporary accidents arising from the existing constitution of society-which those who would frame a new system of social arrange ments, are at liberty to disregard

In a state of society, however, in which the industrial system is entirely founded on purchase and sale, each individual, for the most part, hving not on things in the production of which he himself bears a part, but on things obtained by a double exchange, a sale followed by a purchase—the question of Value is fundamental.; Almost every speculation respecting the economical interests of a society

thus constituted, implies some theory; or serve a purpose Diamonds have of Value the smallest error on that subject infects with corresponding error all our other conclusions, and anything vague or misty in our conception of it, creates confusion and ancertainty in overything else pily, there is nothing in the laws of Value which remains for the present or any future writer to clear up, the theory of the subject is complete the only difficulty to be overcome is that of so stating it as to solve by anticipation the chief perplecities which occur in applying it and to do this, some minuteness of exposition, and considerable demands on the patience of the reader, are unavoidable. He will be amply repaid, however, (if a stranger to these inquiries) by the ease and rapidity with which a thorough understanding of this subject will enable him to fathom most of the remaining questions of political economy

§ 2 We must begin by settling our Thraseology Adam Smith, in a passage often quoted, has touched upon the most obvious ambiguity of the word value, which, in one of its senses, signifies usefulness, in another, power of purchasing, in his own language, value in use, and value in exchange but (as Mr De Quincey has remarked) in illustrating this double meaning, Adam Smith has himself fallen into another ambiguity Things (he says) which have the greatest value in use have often little or no value in exchange, which is true, since that which can be obtained without labour or sacrifice will command no price, however useful or needful it may be But he proceeds to add, that things which have the greatest value in exchange, as a diamond for example, may have little or no value in use This is employing the word use, not in the sense in which political economy is concerned with it, but in that other sense in which use is opposed to pleasure Political economy has nothing to do with the comparative estimation of different uses in the judgment of a philosopher or of a moralist The use of a thing, in political economy, means its capacity to satisfy a desire,

this capacity in a high degree, and unless they had it, would not bear any . price Value in use, or as Mr De Quincey calls it, teleologic value, is the extreme limit of value in exchange The exchange value of a thing may full short, to any amount, of its value in use, but that it can ever exceed the value in use, implies a contradiction, it supposes that persons will give, to possess a thing, more than the utmost value which they them selves put upon it, as a means of gratifying their inclinations.

The word Value, when used without adjunct, always means, in political; economy, value in exchange, or as it has been called by Adam Smith and his successors, exchangeable value, a phrase which no amount of authority that can be quoted for it can make other than bad English Mr De Quincey substitutes the term Exchange Value, which is unexceptionable

Exchange value requires to be dis ! The words tinguished from Price Value and Price were used as synonymous by the early political economists, and are not always discriminated even by Ricardo But the most accurate modern writers, to avoid the wasteful expenditure of two good scientific terms on a single idea, have employed i Price to express the value of a thing! in relation to money, the quantity of money for which it will exchange the price of a thing, therefore, we shall henceforth understand its value in money, by the value, or exchange from value of a thing, its general power of purchasing, the command which its possession gives over purchaseable commodities in general.

§ 3 But here a fresh demand for What is explanation presents itself meant by command over commodities; in general? The same thing exchanges for a great quantity of some commo-1; dities, and for a very small quantity of 1/2. A suit of clothes exchanges for a great quantity of bread, and for a very small quantity of precious stones? The value of a thing in exchange for some commodities may be rising, for

others falling A coat may exchange for less bread this year than last, if the harvest has been bad, but for more glass or iron, if a tax has been taken off those commodities, or an improvement made in their manufacture the value of the coat, under these circumstances, fallen or risen? It is im possible to say all that can be said is, that it has fallen in relation to one thing, and risen in respect to another But there is another case, in which no one would have any hesitation in saying what sort of change had taken place in the value of the coat namely, if the cause in which the disturbance of exchange values originated, was something directly affecting the coat itself, and not the bread, or the glass Suppose, for example, that an inven tion had been made in machinery, by which broadcloth could be woven at half the former cost The effect of this would be to lower the value of a coat, and if lowered by this cause, it would be lowered not in relation to bread only or to glass only, but to all purchaseable things, except such as thappened to be affected at the very time by a similar depressing cause We should therefore say, that there and been a fall in the exchange value or general purchasing power of a coat. The idea of general ex The idea of general ex change value originates in the fact, that there really are causes which tend to alter the value of a thing in exchange for things generally, that 18, for all things which are not them selves acted upon by causes of similar tendency

In considering exchange value scien tifically, it is expedient to abstract from it all causes except those which originate in the very commodity under consideration Those which originate in the commodities with which we compare it, affect its value in relation to those commodities, but those which community in itself, affect its value in violation to all commodities In order the more completely to confine our attention to these last, it is convenient to assume that all commodities but the one in question remain invariable in their a lative values. When we are

considering the causes which raise or lower the yalne of corn, we suppose that woollens, silks, cutlery, sugar, timber, &c., while varying in their power of purchasing corn, remain constant in the proportions in which they exchange for one another this assumption, any one of them may be taken as a representative of all the rest since in whatever manner corn varies in value with respect to any one commodity, it varies in the same manner and degree with respect to every other, and the upward or downward movement of its value estimated in some one thing, is all that needs be Its money value, thereconsidered fore, or price, will represent as well as anything else its general exchange value, or purchasing power, and from an obvious convenience, will often be employed by us in that representative character, with the provise that money itself do not vary in its general pur chasing power, but that the prices of all things, other than that which we happen to be considering, remain un & altered.

§ 4 The distinction between Value and Price, as we have now defined them, is so obvious, as scarcely to seem in need of any illustration. political economy the greatest errors arise from overlooking the most obvious Simple as this distinction is, it has consequences with which a reader ! " unacquainted with the subject would do well to begin early by making himself thoroughly familiar The follow ing is one of the principal. is such a thing as a general rise of All commodities may rise in their money price But the But there cannot It 18 a contradiction in terms A can only rise in value by exchanging for a greater quantity of B and C, in which case these must exchange for a smaller quantity of A All things cannot rise relatively to one another If one-half of the commodities in the market rise, in exchange value, the very terms imply a fall of the other half, and reciprocally the fall implies a rise. Things which are exchanged for one another can no

more all fall, or all rise, than a dozen ! runners can each outrun all the rest. or a hundred trees all overtop one another Simple as this truth is, we shall presently see that it is lost sight of in some of the most accredited doctrines both of theorists and of what are called practical men And as a first specimen, we may instance the great importance attached in the imaignation of most people to a rise or fall of general prices. Because when the price of any one commodity rises, the circumstance usually indicates a rise of its value, people have an indistinct feeling when all prices rise, as if all things simultaneously had risen value, and all the possessors had become enriched That the money prices of all things should rise or fall, provided they all rise or fall equally, is, in itself, and apart from existing con tracts, of no consequence It affects nobody's wages, profits, or rent Every one gots more money in the one case and less in the other, but of all that is to be bought with money they get neither more nor less than before makes no other difference than that of using more or fewer counters to reckon The only thing which in this case is really altered in value, is money, and the only persons who either gain or lose are the holders of money, or those who have to receive or to pay fixed sums of it. There is a difference to annutants and to creditors the one way, and to those who are burthened with annuities, or with debts, the contrary way There is a disturbance, in short, of fixed money contracts, and this is an evil, whether it takes place in the debtor's favour or in the creditor's But as to future transactions there is no difference to any one it therefore be remembered (and occasions will often rise of calling it to mind) that a general rise or a general fall of values is a contradiction, and that a general rise or a general fall of prices is merely tantamount to an alteration in the value of money, and 18 a matter of complete indifference, save in so far as it affects existing contracts for receiving and paying fixed pecuniary amounts, and (it must be

added) as it affects the interests of the producers of money

2 5 Before commencing the manury into the laws of value and price, I have one further observation to make must give warning, once for all, that the cases I contemplate are those in which values and prices are determined by competition alone In so far only as they are thus determined, can they ba reduced to any assignable law buyers must be supposed as studious? to buy cheap, as the sellers to sell dear? The values and prices, therefore, to which our conclusions apply, are mercantile values and prices, such prices as are quoted in price-currents, prices in the wholesale markets, in which buying as well as selling is a matter of business, in which the buyers take pains to know, and generally do know, the lowest price at which an article of a given quality can be obtained, and in which, therefore, the axiom is true, that there cannot be for the same article, of the same quality, two prices in the same market Our propositions will be true in a much more qualified sense, of retail prices, the prices paid? in shops for articles of personal consumption For such things there often: are not merely two, but many prices, in different shops, or even in the same ? shop, habit and accident having as much to do in the matter as general Purchases for private use, even by people in business, are not always made on business principles the feelings which come into play in the operation of getting, and in that of spending their income, are often extremely different Either from indolence, or carelessness, or because people' think it fine to pay and ask no questions, three fourths of those who can't afford it give much higher prices than necessary for the things they consume, while the poor often do the same from ignorance and defect of judgment, want of time for searching and making inquiry, and not unfrequently from coercion, open or disguised For these reasons, retail prices do not follow with all the regularity which might be expected, the action of the causes which

idetermine wholesale prices. The influence of those causes is ultimately rfelt in the retail markets, and is the real source of such variations in retail prices as are of a general and per manent character But there is no regular or exact correspondence Shoes of equally good quality are sold in different shops at prices which differ considerably, and the price of leather may fall without causing the richer class of buyers to pay less for shoes Novertheless, shoes do sometimes fall in price, and when they do, the cause is always some such general circumstance as the cheapening of leather and when leather is cheapened, even if no difference shows itself in shops expected to accord with them

frequented by nich people, the artisan and the labourer generally get their shoes cheaper, and there is a visible diminution in the contract prices at which shoes are delivered for the supply of a workhouse or of a regiment. In all reasoning about prices, the proviso must be understood, "supposing all parties to take care of their own interest" Inattention to these distinctions has led to improper applications of the abstract principles of political economy, and still oftener to an undue discrediting of those principles, through their being compared with a different sort of facts from those which they contemplate, or which can fairly be

CHAPTER IL

OF DEMAND AND SUPPLY, IN THEIR RELATION TO VALUE

THAT a thing may have any ralue in exchange, two conditions are necessary It must be of some use, that is (as already explained) it must conduce to some purpose, satisfy some desire. No one will pay a price, or part with anything which serves some of his purposes, to obtain a thing which serves none of them But, secondly, the thing must not only have some intility, there must also be some diffi culty in its at ainment. "Any article whatever," says Mr De Quincey, # "to obtain that artificial sort of value which is meant by exchange value, must begin by offering itself as a means to some desirable purpose, and secondly, even though possessing incontestably this preliminary advantage, it will never ascend to an exchange value in cases where it can be obtained gratuntously and without effort, of which ast terms both are necessary as limi tations For often it will happen that some desirable object may be obtained gratuitously, stoop, and you gather it at your feet, but still, because the con tinued iteration of this stooping exacts

" Logic of Political Economy, p 13

a laborious effort, very soon it is found, that to gather for yourself virtually is not gratuitous In the vast forests of the Canadas, at intervals, wild straw berries may be gratuitously gathered by shiploads yet such is the exhaus tion of a stooping posture, and of a labour so monotonous, that every body is soon glad to resign the service into merconary hands"

As was pointed out in the last chap ter, the utility of a thing in the esti mation of a purchaser, is the extreme limit of its exchange value the value cannot ascend, peculiar cir cumstances are required to raise it so high This topic is happily illustrated by Mr De Quincey "Walk into almost any possible shop, buy the first article you see what will determine its price? In the ninety nine cases out of a hundred, simply the element D-difficulty of attainment The other element U, or intrinsic utility, will be perfectly inoperative Let the thing ! (measured by its uses) be, for your purposes, worth ten guineas, so that you would rather give ten guineas than lose it, yet, if the difficulty of

producing it be only worth one-guinea, one gumen is the price which it will But still not the less, though U is inoperative, can U be supposed absent? By no possibility, for, if it had been absent, assuredly you would not have bought the article even at the lowest price U acts upon you, though it does not not upon the price In the other hand, in the hundredth case, we will suppose the circumstances reversed, you are on Lake Superior in a steam boat, making your way to an unsettled region 800 miles a head of civilization, and consciously with no chance at all of purchasing any luxury whatsoever, little luxury or big luxury, for the space of ten years to come One fellow passenger, whom you will part with before sunset, has a powerful musical snuff box, knowing by experi ence the power of such a toy over your own feelings, the magic with which at times it lulls your agitations of mind, you are vehemently desirous to purchase it In the hour of leaving London you had forgot to do so, here is a final chance But the owner, aware of your situation not less than yourself, is determined to operate by a strain pushed to the very uttermost upon U, upon the mirmsic worth of the article in your individual estimate for your individual purposes He will not hear of D as any controlling power or mitigating agency in the case, and finally, although at six guineas a piece in London or Paris you might have loaded a waggon with such boxes, you pay sixty rather than lose it when the last knell of the clock has sounded, which summons you to buy now or to forfeit for ever Here, as before, only one element is operative before it was D, now it is U But after all, D was not absent, though inoperative The inertness of D allowed U to put forth its total effect. The practical com-pression of D being withdrawn, U springs up like water in a pump when released from the pressure of air Yet istill that D was present to your thoughts, though the price was otherwise regulated, is evident, both be-Coause U and D must coexist in order to found any case of exchange value what

ever, and because undeniably you take into very particular consideration this D, the extreme difficulty of attainment (which here is the greatest possible, viz. an impossibility) before you con sont to have the price racked up to U. The special D has vanished, but it is replaced in your thoughts by an_uh_ limited D Undoubtedly you have submitted to U in extremity as the regulating force of the price, but it was under a sense of D's latent pre Yet D is so far from exerting any positive force, that the retirement of D from all agency whatever on the price—this it is which creates as it were a perfect vacuum, and through that vacuum U rushes up to its highest and ultimate gradation

This case, in which the value is wholly regulated by the necessities or desires of the purchaser, is the case of strict and absolute monopoly, in which, the article desired being only obtainable from one person, he can exact any equivalent, short of the point at which no purchaser could be found. But it is not a necessary consequence, even of complete monograpily, that the value should be forceds up to this ultimate limit as will be seen when we have considered the law of value in so far as depending on the other element, difficulty of attainment

§ 2 The difficulty of attainments which determines value, is not always the same kind of difficulty It some times consists in an absolute limita !! tion of the supply There are things of which it is physically impossible to mcrease the quantity beyond certain Such are those wines narrow limits which can be grown only in peculiar circumstances of soil, climate, and Such also are ancient exposure sculptures, pictures by old masters, rare books or coins, or other articles of antiquarian curiosity Among such mny also be reckoned houses and building ground, in a town of definits extent (such as Venice, or any fortified town where fortifications are necessary to security), the most desirable sites . in any town whatever, houses and parks peculiarly favoured by natural

beauty, in places where that advantage is uncommon Potentially, all land whatever is a commodity of this class, and might be practically so, in coun tries fully occupied and cultivated.

But there is another category, (em bracing the majority of all things that are bought and sold,) in which the obstacle to attainment consists only in

the labour and expense requisite to produce the commodity Without a certain labour and expense it cannot be had but when any one is willing to incur these, there needs be no limit

to the multiplication of the product If there were labourers enough and machinery enough, cottons, woollens,

or linens might be produced by thou sands of yards for every single yard now manufactured. There would be a point, no doubt, where further increase would be stopped by the incapacity of the earth to afford more of the ma

purpose of political economy, to con template a time when this ideal limit could become a practical one There is a third case, intermediate

tenal. But there is no need, for any

between the two preceding, and rather more complex, which I shall at present merely indicate, but the importance of which in political economy is extremely There are commodities which can be multiplied to an indefinite extent by labour and expenditure, but not by a fixed amount of labour and expenditure Only a limited quantity can be produced at a given cost, if more is wanted, it must be produced at a greater cost To this class, as has been often repeated, agricultural produce belongs, and generally all the rude produce of the earth, and this peculiarity is a source of very import-

§ 8 These being the three classes. in one or other of which all things that are bought and sold must take their place, we shall consider them in their order And first, of things absoflately limited in quantity, such as ancient sculptures or pictures

ant consequences, one of which is the

necessity of a limit to population, and

another, the payment of rent.

Of such things it is commonly said,

that their value depends upon their (scarcity but the expression is not? sufficiently definite to serve our pur Others say, with somewhat greater precision, that the value depends on the demand and the supply But even this statement requires much explanation, to make it a clear expo nent of the relation between the value

of a thing, and the causes of which

that value is an effect. The supply of a commodity is an intelligible expression it means the quantity offered for sale, the quantity that is to be had, at a given time and place, by those who wish to purchase But what is meant by the de-t mand? Not the mere desire for the commodity A beggar may desire a diamond, but his desire, however great, will have no influence on the Writers have therefore given a more limited sense to demand, and have defined it, the wish to possess, combined with the power of pur chasing To distinguish demand in power of pur this technical sense, from the demand which is synonymous with desire, they call the former effectual demand.* After this explanation, it is usually supposed that there remains no further difficulty, and that the value depends ; upon the ratio between the effectual! demand, as thus defined, and the

These phrases, however, fail to satisfy any one who requires clear ideas, and a perfectly precise expres sion of them Some confusion must always attach to a phrase so mappropriate as that of a ratio between two things not of the same denomination. What ratio can there be between a quantity and a desire, or even a desire combined with a power? A ratio between demand and supply is only intelligible if by demand we mean the quantity demanded, and if the

^{*} Adam Smith, who introduced the expression "effectual demand," employed it to denote the demand of those who are willing and able to give for the commodity what he calls its natural price, that is, the price which will enable it to be permanently produced and brought to market. - See his chapter on Natural and Market Price (book i. ch 7)

ratio intended is that between the quantity demanded and the quantity supplied. But again, the quantity demanded is not a fixed quantity, even at the same time and place, it varies according to the value of the thing is cheap, there is usually a demand for more of it than when it is dear. The demand, therefore, partly depends on the value. But it was better laid down that the value depends on the pleamand. From this controllection how shall we extricate ourselves? How solve the paradox, of two things, each

depending upon the other?

Though the solution of these diffi culties is obvious enough, the dishculties thomselves are not fanciful, and I bring them forward thus prominently, because I am certain that they obsourely haunt every inquirer into the subject who has not openly faced and distinctly realized thom Undoubtedly the true solution must have been frequently given, though I cannot call to mind any one who had given it before myself, except the emmently clear thinker and skilful expositor, J B Say I should have imagined, however, that it must be familiar to all political economists, if the writings of several did not give evidence of some want of clearness on the point, and if the instance of Mr De Quincey did not prove that the complete nonrecognition and implied denial of it are compatible with great intellectual ingenuity, and close intimacy with the subject matter

the quantity demanded, and remembering that this is not a fixed quantity, but in general varies according to the value, let us suppose that the demand at some particular time exceeds the supply, that is, there are persons ready to buy, at the market value, a greater quantity than is offered for sale Competition takes place on the side of the buyers, and the value rises but how much? In the ratio (some may suppose) of the deficiency if the demand exceeds the supply by one-third, the value rises one-third. By no means to when the value has risen one-third,

the demand may still exceed the sup ! ply, there may, even at that higher { value, be a greater quantity wanted than is to be had, and the competi tion of buyers may still continuo the article is a necessary of life, which, rather than resign, people are willing to pay for at any price, a deficiency of one-third may raise the price to double, triple, or quadruple * Or, on the con trary, the competition may cease before the value has risen in even the proportion of the deficiency short of one third, may place the article beyond the means, or beyond the in clinations, of purchasers to the full At what point, then, will the rise be arrested? At the point, whatever it be, which equalizes the demand and the supply at the price which cuts off the extra third from the demand, or brings forward additional sollers sufficient to supply it When, in either of these ways, or by a combination of both, the demand becomes equal and no more than equal to the supply, the rise of value will stop

The converse case is equally simple Instead of a demand beyond the supply, let us suppose a supply exceeding The competition will; the demand now be on the side of the sellers the extra quantity can only find a market by calling forth an additional demand equal to itself. This is accomplished. by means of cheapness, the value falls, and brings the article within the reach of more numerous customers, or induces those who were already con sumers to make increased purchases The fall of value required to re-establish equality, is different in different The kinds of things in which it is commonly greatest are at the two extremities of the scale, absolute

"The price of corn in this country has risen from 100 to 200 per cent and upwards, when the utmost computed deficiency of the crops has not been more than between one sixth and one third below an average and when that deficiency has been relieved by foreign supplies. If there should be a deficiency of the crops amounting to one-third, without any surplus from a former year, and without any chance of relief by importation, the price might rise five, six or even ten fold."—Tooko's Hutory of Prices vol. i.

mocessaries, or those peculiar luxuries, the Inste for which is confined to a In the case of food, as small class those who have already enough do not require more on account of its cheap ness, but rather expend in other things what they save in fool, the increased consumption occasioned by cheapings, carries off, as experience above, only a small part of the extra supply caused by an abundant harvest, * and the fall is practically arrested only when the farmers withdraw their corn, and hold it back in hopes of a higher price, or by the operations of speculators who buy corn when it is cheap, and store it up to be brought out when more urgently wanted Whether the demand and supply are equalized by an increased demand, the result of cheapness, or by withdrawing a part of the supply, equalized they are in either case

Thus we see that the idea of a ratio, as between demand and supply, is out of place, and has no concern in the matter the proper mathematical ana logy is that of an equation Demand and supply, the quantity demanded and the quantity supplied, will be made If unequal at any moment, competition equalizes them, and the manner in which this is done is by an adjustment of the value If the domand increases, the value rises, if the demand diminishes, the value falls again, if the supply falls off, the value rises, and falls, if the supply is in The rise or the fall continues creased until the demand and supply are again gequal to one another and the value which a commodity will bring in any market, is no other than the value which, in that market, gives a demand just sufficient to carry off the existing or expected supply

with respect to all commodities not susceptible of being multiplied at pleasure. Such commodities, no doubt, are exceptions. There is another law for that much larger class of things, which admit of indefinite multiplied the But it is not the less necessary to conceive distinctly and grasp firmly

the theory of this exceptional case. In the first place, it will be found to be of great assistance in rendering the more common case intelligible. And in the next place the principle of the exception stretches wider, and cinbraces more cases, than might at first be supposed.

§ 5 There are but few commodities if which are naturally and necessarily, limited in sipply. But any commodity; v hatever may be artificially so commodity may be the subject of a ! monopoly like ten, in this country, up to 1834, tobacco in France, opium in British India, at present. The price! of a monopolized commodity is commonly supposed to be arbitrary, de pending on the will of the monopolist, ! and limited only (asin Mr De Quincey's case of the musical box in the wilds of America) by the buyer's extreme esti mate of its worth to himrelf in one sense true, but forms no exception, nevertheless, to the dependence of the value on supply and demand. The monopolist can fix the value as high as he pleases, short of what the consumer either could not or would not pay, but he can only do so by limiting the supply The Dutch East India Com pany obtained a monopoly price for the produce of the Spice Islands, but to do so they were obliged, in good seasons, to destroy a portion of the Had they persisted in selling all that they produced, they must have forced a market by reducing the price, so low, perhaps, that they would have received for the larger quantity a less total return than for the smaller least they showed that such was their's opinion by destroying the surplus. Even on Lake Superior, Mr De Quincey's huckster could not have sold his box for sixty guineas, if he had possessed two musical boxes and desired to soll them both posing the cost price of each to be six guineas, he would have taken seventy for the two in preference to maty for one, that is, although his monopoly was the closest possible, he would have sold the boxes at thirty five giuneas each, notwithstanding that sixty was not

^{*} See Tooke, and the Report of the Agricultural Committee of 1821.

beyond the bnyer's estimate of the article for his purposes. Monopoly value, therefore, does not depend on any piculiar principle, but is a mere variety of the ordinary case of demand and

Agrin, though there are few commodities which are at all times and for ever unsusceptible of increase of supply, any commodity whatever may be temporarily so, and with some commodities this is habitually the case Agricultural produce, for example, cannot be increased in quantity before the next harvest, the quantity of corn already existing in the world, is all that can be had for sometimes a year During that interval, corn is practically assimilated to things of which the quantity cannot be in In the case of most commodities, it requires a certain time to increase their quantity, and if the demand increases, then until a corresponding supply can be brought forward, that is, until the supply can accommodate itself to the demand, the value will so use as to accommodate the demand to the supply

There is another case, the exact converse of this There are some articles of which the supply may be indefinitely increased, but cannot be rapidly diminished. There are things so durable that the quantity in existence is at all times very great in comparison with the annual produce Gold, and the more durable metals, are things of this sort, and also houses The supply of such things might be at once diminished by destroying them, but to do this could only be the interest of the possessor if he had a monopoly of the article, and could repay himself for the destruction of a part by the increased value of the

The value, therefore, of remainder such things may continue for a long time so low, either from excess of supply or falling off in the demand, as to put a complete stop to further production the diminution of supply by wearing out being so slow a process, that a long time is requisite, even under a total suspension of production, to restore the original value During that interval the value will be regulated solely by supply and demand, and will rise very gradually as the existing stock wears out, until there is again a remunerating value, and production resumes its course

Finally, there are commodities of, which, though capible of being in creased or diminished to a great, and even an unlimited extent, the value never depends upon anything but demand and supply This is the case. in particular, with the commodity of the value of which we Labour have treated copiously in the preceding Book and there are many cases be sides, in which we shall find it necessary to call in this principle to solve difficult questions of exchange value This will be particularly exemplified when we treat of International Values, that is, of the terms of interchange between things produced in different countries, or, to speak more generally in distant places But into these questions we cannot enter until we shall have examined the case of commodities which can be increased in quantity indefinitely and at pleasure, and shall have determined by what! law, other than that of Demand and Supply, the permanent or average; values of such commodities are regu This we shall do in the next lated chapter

CHAPTER III.

OF COST OF PRODUCTION, IN ITS REPUTION TO VATUR.

WHEN the production of a commodity is the effect of labour and expenditure, whether the commodity he susceptible of unlimited multipliention or not, there is a minimum value which is the essential condition of its being permanently produced value at any particular time is the result of supply and demand, and is always that which is necessary to create a market for the existing supply But unless that value is sufficient to frepay the Cost of Production, and to afford, besides, the ordinary expectation of profit, the commodity will not continue to be produced Capitalists will not go on permanently producing They will not even go on at a loss producing at a profit less than they can Persons whose capital is already embarked, and cannot be easily extricated, will persevere for a considerable time without profit, and have been known to persevere even at a loss, in hope of better times they will not do so indefinitely, or when there is nothing to indicate that times are lilely to improve No new capital will be invested in an employment, unless there be an expectation not only of some profit, but of a profit as great (regard being had to the de gree of eligibility of the employment in other respects) as can be hoped for in any other occupation at that time When such profit is evi and place dently not to be had, if people do not actually withdraw their capital, they at least abstain from replacing it when consumed The cost of production, together with the ordinary profit, may therefore be called the necessary price or value, of all things made by labour and capital. Nobody willingly produces in the prospect of loss ever does so, does it under a miscalcu lation, which he corrects as fast as he is able

When P commodity is not only made

by labour and capital, but can be made by them in indefinite quantity, this Necessary Value, the minimum with which the producers will be content, is also, if competition is free and active, the maximum which they can expect If the value of a commolity is such that it repays the cest of production, not only with the customary, but will a higher rate of profit, capital rushes to all ire in this extra gain, and by in creasing the supply of the article This is not a merd reduces its value supposition or curmise, but a fact familiar to those conversant with com-Whenever a new mercial operations line of business presents itself, offering a hope of unusual profits, and when ever any established trade or manu facture is believed to be yielding a greater profit than enstemary, there is cure to be in a short time so large a production or importation of the commodity, as not only destroys the extra profit, but generally goes beyond the mark, and sinks the value as much too low as it had before been rused too high, until the over supply is corrected by a total or partial suspension of fur ther production As already inti mated, these variations in quantity produced do not presuppose or require that any person should change his employment. Those whose business is thriving, increase their produce by availing themselves more largely of their credit, while those who are not making the ordinary profit, restrict their operations, and (in manufacturing phrase) work short time this mode is surely and speedily effected the equalization, not of profits perhaps, but of the expectations of profit, in different occupations

As a general rule, then, things tend to exchange for one another at such values as will enable each producer to be repaid the cost of production with the

* Supra, p 249

fordinary profit, in other words, such lithe commodity. The supply would be as will give to all producers the same rate of profit on their outlay But in order that the profit may be equal where the outlay, that is, the cost of production, is equal, things must on the average exclinage for one another in the ratio of their cost of production, things of which the cost of production is the same, must be of the same value For only thus will an equal outlay yield an equal return. If a firmer with a capital equal to 1000 quarters of corn, can produce 1200 quarters, yielding him a profit of 20 per cent, whatever elso can be produced in the same time by a capital of 1000 quar ters, must be worth, that is, must exchange for, 1200 quarters, otherwise the producer would gain either more or less than 20 per cent

Adam Smith and Ricardo have called that value of a thing which is iproportional to its cost of production, lits Natural Value (or its Natural Price) They meant by this, the point about which the value oscillates, and to which it always tends to return, the centre value, towards which, as Adam Smith expresses it, the market value of a thing is constantly gravitating, and any doviation from which is but a irregularity, which, temporary moment it exists, sets forces in motion tending to correct it On an average of years sufficient to enable the oscillations on one side of the central line to be compensated by those on the fother, the market value agrees with the natural value, but it very soldom coincides exactly with it at any par iticular time The sea everywhere tends to a level, but it never is at an exact level, its surface is always ruffled by waves, and often agitated by It is enough that no point, at least in the open sea, is permanently higher than another. Each place is alternately elevated and depressed, but the ocean preserves its level.

§ 2 The latent influence by which the values of things are made to conform in the long run to the cost of production, is the variation that would otherwise take place in the supply of

increased if the thing continued to sell above the ratio of its cost of production, and would be diminished if it fell below that ratio But we must not therefore suppose it to be necessary that the supply should actually bo either diminished or increased pose that the cost of production of a thing is cheapened by some mechanical invention, or increased by a tax The value of a thing would in a little time, if not immediately, fall in the one case, and rise in the other, and it would do so, because if it did not, the supply would in the one case be in creased, until the price fell, in the other diminished, until it rose reason, and from the erroneous notion that value depends on the proportion between the demand and the supply, many persons suppose that this proportion must be aftered whenever there is any change in the value of the com modity, that the value cannot fall through a diminution of the cost of production, unless the supply is permanently increased, nor rise, unless the supply is permanently diminished But this is not the fact there is no need! that there should be any actual altera tion of supply, and when there is, the alteration, if permanent, is not the cause but the consequence of the alterntion in value If, indeed, the supply could not be increased, no diminution in the cost of production would lower? the value but there is by no means' any necessity that it should mere possibility often suffices, dealers are aware of what would happen, and their mutual competition makes them anticipate the result by lowering the price Whether there will be a greater permanent supply of the commodity, after its production has been cheapened, depends on quite another question, namely, on whether a greater quantity is wanted at the reduced value Most commonly a greater quantity is wanted, but not necessarily "A man," says Mr. De Quincey, * "buys in article of in stant applicability to his own purposed the more readily and the more largely * Logic of Political Economy, pp 230-1

276 t as it happens to be cheaper Silk handkerchiefs having fallen to halfprice, he will buy, perhaps, in threefold quantity, but he does not buy more steam engines because the price His demand for steamis lowered engines is almost always predetermined by the circumstances of his situation. So far as he considers the cost at all, it is much more the cost of working this engine than the cost upon its purchase But there are many articles for which the market is absolutely and merely limited by a pre existing system, to which those articles are attached as subordinate parts or mem How could we force the dials or faces of timepieces by artificial cheapness to sell more plentifully than the nner works or movements of such Could the eale timepieces? wine-vaults be increased without increasing the sale of wine? Or the tools of shipwrights find an enlarged market whilst shipbuilding was sta-Offer to a town of tionary? 3000 inhabitants a stock of hearses, no cheapness will tempt that town into buying more than one Offer a stock of yachts, the chief cost lies in manning, victualling, repairing, no diminution upon the mere price to a purchaser will tempt into the market any man whose habits and propensities had not already disposed him to such a pur So of professional costume for bishops, lawyers, students at Oxford" Nobody doubts, however, that the price and value of all these things would be eventually lowered by any diminution of their cost of production, and lowered through the apprehension entertained of new competitors, and an increased supply—though the great hazard to which a new competitor would expose himself, in an article not susceptible of any considerable ex tension of its market, would enable the established dealers to maintain their original prices much longer than they could do in an article offering more encouragement to competition

Again, reverse the case, and suppose the cost of production increased, as for example by laying a tax on the commodity. The value would rise, and that, probably, immediately

Would the supply be diminished? Only if the increase of value diminished Whether this effect folthe demand lowed, would soon appear, and if it did, the value would recede somewhat, from excess of supply, until the production was reduced, and would then There are many articles rise again for which it requires a very consider able rise of price, materially to reduce the demand, in particular, articles of necessity, such as the habitual food of in England, wheaten the people of which there is probably almost as much consumed, at the present cost price, as there would be with the present population at a price con siderably lower Yet it is especially in such things that dearness or high price is popularly confounded with Food may be dear from scarcity scarcity, as after a bad harvest, but the dearness (for example) which is the effect of taxation, or of corn laws, has nothing whatever to do with insuf ficient supply such causes do not much diminish the quantity of food in a country it is other things rather than food that are diminished in quan tity by them, since, those who pay more for food not having so much to expend otherwise, the production of other things contracts itself to the limits of a smaller demand.

It is, therefore, strictly correct to say, that the value of things which can be increased in quantity at plea sure, does not depend (except acci dentally, and during the time necessary for production to adjust itself,) upon demand and supply, on the contracy, demand and supply depend upon it There is a demand for a certain quantity of the commodity at its natural or cost value, and to that the supply in the long run endeavours to conform When at any time it fails of so conforming, it is either from miscalculation, or from a change in some of the elements of the problem either in the natural value, that is, in the cost of production, or in the demand, from an alteration in public taste or in the number or wealth of the consumers These causes of disturbance are very liable to occur, and when any one of them does occur the market value of

the article ceases to agree with the hatural value The real law of demand and supply, the equation between them, holds good in all cases if a value different from the natural value be necessary to make the demand equal to the supply, the market value will deviate from the natural value, but one for a time, for the permanent tendency of supply is to conform itself to the demand which is found by expe mence to exist for the commodity when secong at its natural value supply is either more or less than this, it is so accidentally, and affords either more or less than the ordinary rate of profit, which, under free and active competition, cannot long continue to be the case

To recapitulate demand and supply govern the value of all things which cannot be indefinitely increased, except that even for them, when produced

by industry, there is a minimum value. determined by the cost of production, But in all things which admit of inde finite multiplication, demand and supply only determine the perturbations of value, during a period which cannot exceed the length of time necessary for altering the supply While thus ruling the oscillations of value, they themselves obey a superior force, which makes value gravitate towards Cost of Production, and which would settle it and keep it there, if frosh disturbing influences were not continually arising to make it again deviate To pursue the same strain of metaphor, demand and supply always rush to an equilbrium, but the condition of stable equilibrium is when things exchange for each other according to their cost of production, or, in the expression we have used, when things are at their Natural Value

CHAPTER IV

ULTIMATE ANALYBIS OF COST OF PRODUCTION

THE component elements of i "Cost of Production have been set forth in the First Part of this enquiry * The principal of them, and so much the principal as to be nearly the sole, we found to be Labour What the production of a thing costs to its producer, or its series of producers, is the labour expended in producing it we consider as the producer the capi talist who makes the advances, the word Labour may be replaced by the word Wages, what the produce costs to him, is the wages which he has had At the first glance indeed this seems to be only a part of his outlay, mnco he has not only paid wages to labourers, but has likewise provided them with tools, materials, and per haps buildings These tools, materials, and buildings, however, were produced by labour and capital, and their value, like that of the article to the produc tion of which they are subservient,

* Supra, pp 19, 20

depends on cost of production, which again is resolvable into labour. The cost of production of broadcloth does not wholly consist in the wages of neavers, which alone are directly paid by the cloth manufacturer It consists also of the wages of spinners and woolcombers, and it may be added, of shopherds, all of which the clothier has paid for in the price of yarn consists too of the wages of builders and brickmakers, which he has reim bursed in the contract price of erecting It partly consists of the his factory wages of machine makers, iron founders, and miners And to these must be added the wages of the carriers who transported any of the means and appliances of the production to the place where they were to be used, and the product itself to the place where it is to be sold

The value of commodities, therefore, depends principally (we shall presently see whether it depends solely)

their production including in the idea | stockings would mesitably fall in vilve, of production, that of conveyance to and command less of other theres the market "In estimating," says They would fill, because a less quan Ricardo, " "the exchangeable value of 'tity of labour was necessary to their stockings, for example, we shall find that their value, comparatively with other things, depends on the total quantity of labour necessary to manu facture them and bring them to Lirst, there is the labour necessary to cultivate the land on which the raw cotton is grown, secondly, the labour of conveying the cotton to the country where the stock ings are to be manufactured, which includes a portion of the labour bastowed in building the ship in which it is conveyed, and which is charged in the freight of the goods, thirdly, the labour of the spinner and weaver, fourthly, a portion of the labour of the engineer, smith, and carpenter, who erected the buildings and machinery by the help of which they are made, fifthly, the labour of the retail dealer, and of many others, whom it is unnecessary further to particularize The aggregate sum of these various kinds of labour, determines the quantity of other things for which these stockings will exchange, while the same con sideration of the various quantities of labour which have been bestowed on those other things, will equally govern the portion of them which will be given for the stockings

"To convince ourselves that this is the real foundation of exchangeable value, let us suppose any improvement to be made in the means of abridging labour in any one of the various processes through which the raw cotton must pass before the manufactured stockings come to the market to be exchanged for other things, and observe the effects which will follow fewer men were required to cultivate the raw cotton, or if fewer sailors were employed in navigating, or shipwrights in constructing, the ship in which it was conveyed to us, if fewer hands were employed in raising the buildings and machinery, or if these, when raised,

on the quantity of labour required for | were rendered more efficient, the production, and would therefore exchange for a smaller quantity of these things in which no such abridgment of } labour had been made

"I conomy in the use of labour, never fails to reduce the relative value! of a commodity, whether the saving be in the labour necessary to the manufacture of the commodity its If, or in that necessary to the formation of the capital, by the aid of which it is pro-In either case the price of duced stockings would fall, whether there were fewer men employed as bleachers, spinners, and weavers, persons unine dintely necessary to their manufacture, or as sailors, carriers, engineers, and smiths, persons more indirectly con curred In the one case, the whole saving of labour would fall on the riockings, because that portion labour was wholly confined to the stockings, in the other, a pertion only would fall on the stockings, the remainder being applied to all these other commodities, to the production of which the buildings, machinery, and carriage, were subservient."

§ 2 It will have been observed that Ricardo expresses himself as if the quantity of labour which it costs to produce a commodity and bring it to market, were the only thing on which its value depended. But since the cost of production to the capitalist is not labour but wages, and since waget may be either greater or less, the quan tity of labour being the same, it would seem that the value of the product, cannot be determined solely by the quantity of Inbour, but by the quantity together with the remuneration, and that values must partly depend on wages

In order to decide this point, it must be considered, that value is a relative term, that the value of a commodity is not a name for an inherent and substantive quality of the thing itself, but means the quantity of other things

Principles of Political Economy and Taxation cli 1, sect. 8

which can be obtained in exchange hor it The value of one thing, must always be understood relatively to someother thing, or to things in general. Now the relation of one thing to another cannot be altered by any cause which affects them both alike A rise or fall of general wages is a fact which affects all commodities in the same manner. and therefore affords no reason why they should exchange for each other in one rather than in another propor-To suppose that high wages make high values, is to suppose that there can be such a thing as general high values But this is a contradiction in terms the high value of some things is synonymous with the low value of others. The mistake arises from not attending to values, but only to prices Though there is no such thing as a general rise of values, there is such a thing as a general rise of As soon as we form distinctly the idea of values, we see that high or low wages can have nothing to do with them but that high wages make high prices, is a popular and wide-spread opinion The whole amount of error involved in this proposition can only be seen thoroughly when we come to the theory of money, at present we need only say that if it be true, there can be no such thing as a real rise of wages, for if wages could not rise of everything, they could not, for any - substantial purpose, rise at all This surely is a sufficient reductio ad absurdum, and shows the amazing folly of the propositions which may and do become, and long remain, accredited doctrines of popular political economy It must be remembered, too, that general high prices, even supposing them to exist, can be of no use to a producer or dealer, considered as such, for if they increase his money returns, they increase in the same degree all his expenses There is no mode in which capitalists can componsate themselves for a high cost of labour, through any action on values or prices cannot be prevented from taking its effect in low profits If the labourers really got more, that is, get the pro-

duce of more labour, a smaller per centage must remain for profit this Law of Distribution, resting as it does on a law of arithmetic, there is no escape The mechanism of Exchange and Price may hide it from us, but is quite powerless to alter it

Although, however, general wages, whether high or low, do not affect values, yet if wages are higher. in one employment than another, or if they rise or fall permanently in one employment without doing so in others. these inequalities do really operate upon values The causes which make wages vary from one employment to another, have been considered in a former chapter When the wages of an employment permanently exceed the average rate, the value of the tlung produced will, in the same degree, exceed the standard determined by mere quantity of labour Things, for example, which are made by skilled labour, exchange for the produce of a much greater quantity of unskilled labour, for no reason but because the labour is more highly paid. If, through the extension of education, the labourers competent to skilled employments were: so increased in number as to diminish; the difference between their wages' and those of common labour, all things' produced by labour of the superior, without a proportional rise of the price | kind would fall in value, compared with things produced by common labour, and these might be said therefore to rise in value. We have before remarked that the difficulty of passing from one class of employments to a class greatly superior, has lutherto caused the wages of all those classes of labourers who are separated from one another by any very marked barrier, to depend more than might be supposed upon the increase of the population of each class, considered sepa rately, and that the inequalities in the remuneration of labour are much greater than could exist if the com petition of the labouring people gene rally, could be brought practically to bear on each particular employment It follows from this, that wages in different employments do not rise or

fall simultaneously, but are, for short and sometimes oven for long periods, inearly independent of one another. All such disparities evidently after the relative cost of production of different commodities, and will therefore be, completely represented in their natural

or average value It thus appears that the maxim laid down by some of the best political economists, that mages do not enter funto value, is expressed with greater latitude than the truth warrants, or than accords with their own meaning ¡Wages do enter into value relative wages of the labour necessary for producing different commodities, affect their value just as much as the relative quantities of labour true, the absolute wages paid have no effect upon values, but neither has the absolute quantity of labour that were to vary simultaneously and equally in all commodities, values would not be affected. If, for in stance, the general efficiency of all labour were increased, so that all things without exception could be produced in the same quantity as before with a smaller amount of labour, no trace of this general diminution of cost of production would show itself in the values of commodities. Any change which might take place in them would only represent the unequal degrees in which the improvement affected different things, and would consist in cheapening those in which the saving of labour had been the greatest, while those in which there had been some, but a less saving of labour, would actually rise in value In strictness, therefore, wages of labour have as much to do with value as quantity of labour and neither Ricardo nor any one else has demed the fact. In considering, however, the causes of varia tions in value, quantity of labour is the thing of chief importance, for when that varies, it is generally in one or a few commodities at a time, but the variations of wages (except passing fluctuations) are usually general, and have no considerable effect on value

But in our analysis, in the First Book, of the requisites of production, we found that there is another necessary element There is also in it besides labour capital, and this being the result of abstinence, the produce, or its value, must be sufficient to remunerate, not only all the labour required, but the abstruence of all the persons by whom the remuneration of the different classes of labourers was advanced The return for abstruence is Profit. And profit, we have also seen, is not exclusively the surplus remaining to the capitalist after he has been com pensated for his outlay, but forms, in most cases, no unimportant part of the outlay itself The flax-epinner, part of whose expenses consists of the purchase of flax and of machinery, has had to pay, in their price, not only the wages of the labour by which the flax was grown and the machinery made, but the profits of the grower, the flax diesser, the miner, the iron founder, and the machine-maker All these profits, together with those of the spin ner himself, were again advanced by the weaver, in the price of his material, linen yarn and along with them the profits of a fresh set of machine makers, and of the miners and iron workers who supplied them with their metallic material. All these advances form part of the cost of production of linen. Profits, therefore, as well as wages, enter into the cost of production which determines the value of the produce Value, however, being purely relative, cannot depend upon absolute profits, no more than upon absolute wages, but upon relative profits only High general profits cannot, any more than high general wages, be a cause of high values, because high general values are an absurdity and a contradiction.

Thus for of labour, or wages,

as an element in cost of production.

than of others, that they can have any influence on value

For example, we have seen that

In so far as profits enter into the cost

of production of all things, they cannot

affect the value of any It is only

by entering in a greater degree into

the cost of production of some things

there are causes which necessitate a permanently higher rate of profit in certain employments than in others There must be a compensation for superior risk, trouble, and disagreeable-This can only be obtained by selling the commodity at a value above that which is due to the quantity of labour necessary for its production If gunpowder exchanged for other things in no higher ratio than that of the labour required from first to last for producing it, no one would set up a powder mill Butchers are certainly a more prosperous class than bakers, and do not seem to be exposed to greater risks, since it is not remarked that they are oftener bankrupts They seem, therefore, to obtain higher profits, which can only arise from the more limited competition caused by the unpleasantness, and to a certain degree, the unpopularity of their trade But this higher profit implies that they sell their commodity at a higher value than that due to their labour and out-All inequalities of profit which are necessary and permanent, are re-presented in the relative values of the commodities

Profite, however, may enter more largely into the conditions of production of one commodity than of another, even though there be no difference in the rate of profit between The one com the two employments modity may be called upon to yield profit during a longer period of time than the other The example by which this case is usually illustrated is that Suppose a quantity of wine, and a quantity of cloth, made by equal amounts of labour, and that labour The cloth paid at the same rate does not improve by keeping, the Suppose that, to attain wine does the desired quality, the wine requires The producer to be kept five years or dealer will not keep it, unless at the end of five years he can sell it for as much more than the cloth, as amounts to five years profit, accumu 'lated at compound interest The wine and the cloth were made by the same original outlay Here then is a case i

in which the natural values, relatively to one another, of two commodities, do not conform to their cost of production alone, but to their cost of production plus something else. Unless, indeed, for the sake of generality in the expression, we include the profit which the wine merchant foregoes during the five years, in the cost of production of the wine looking upon it as a kind of additional outlay, over and above his other advances, for which outlay he must be indemnified at last

All commodities made by machinery are assimilated, at least approximately, to the wine in the preceding example ' In comparison with things made wholly by immediate labour, profits enter more largely into their cost of production. Suppose two commodities, A and B, each requiring a year for its production, by means of a capital which we will on this occasion denote by money, and suppose to be 1000l A is made wholly by immediate labour, the whole 1000L being expended directly in wages B is made by means of labour which costs 500l and a machine which costs 500l., and the ma chine is worn out by one year's use The two commodities will be exactly of the same value, which, if computed in money, and if profits are 20 per cent per annum, will be 1200l of this 12001, in the case of A, only 2001, or one-sixth, is profit while in the case of B there is not only the 2001., but as much of 5001 (the price of the machine) as consisted of the profits of the machine-maker, which, if we suppose the machine also to have taken a year for its production, is again So that in the case of A only one-sixth of the entire return is profit, whilst in B the element of profit comprises not only a sixth of the whole, but an additional sixth of a large part

The greater the proportion of the whole capital which consists of malchinery, or buildings, or material, or anything else which must be provided before the immediate labour can commence, the more largely will profits enter into the cost of production. It is equally true, though not so obvious

at first sight, that greater durability ! in the portion of capital which consists of machinery or buildings, has precisely the same effect as a greater amount As we just supposed one extreme case, of a machine entirely worn out by a year s use, let us now suppose the opposite and still more extreme case, of a machine which lasts for ever, and requires no repairs In this case, which is as well suited for the purpose of illustration as if it were a possible one, it will be unnecessary that the manufacturer should ever be repaid the 500l which he gave for the ma chine, since he has always the machine itself, worth 500l, but he must be paid, as before, a profit on it commodity B, therefore, which in the case previously supposed was sold for 1200l, of which sum 1000l were to replace the capital and 2001 profit, can now be sold for 700L, being 500l to replace wages, and 200l profit Profit, thereon the entire capital. fore, enters into the value of B in the ratio of 200l out of 700l, being twosevenths of the whole, or 28# per cent, while in the case of A, as before, it enters only in the ratio of one-sixth, or 16% per cent The case is of course purely ideal, since no machinery or other fixed capital lasts for ever, but the more durable it is, the nearer it approaches to this ideal case, and the more largely does profit enter into the return If, for instance, a machine worth 500l loses one fifth of its value by each year's use, 1001 must be added to the return to make up this loss, and the price of the commodity will be 8001 Profit therefore will enter into it in the ratio of 2001 to 8001... or one fourth, which is still a much higher proportion than one-sixth, or 2001 in 12007., as in case A.

From the unequal proportion in which, in different employments, profits enter into the advances of the capitalist, and therefore into the returns required by him, two consequences follow in regard to value. One is, that commodities do not exchange in the ratio simply of the quantities of labour required to produce them, not even if we allow for the unequal rates at which

different kinds of labour are permanently remunerated We have already illustrated this by the example of wine we shall now further exemplify it by the case of commodities made by machinery Suppose, as before, an article A, made by a thousand pounds' worth of immediate labour But instead of B. made by 500l worth of immediate labour and a machine worth 500l, let us suppose C, made by 500L worth of immediate labour with the aid of a machine which has been produced by another 500l. worth of immediate labour the machine requiring a year for making, and worn out by a year's use , profits being as before 20 per cent A and C are made by equal quantities of labour, paid at the same rate A costs 1000L worth of direct labour, C, only 500l worth, which however is made up to 1000l by the labour expended in the construction of the machine labour, or its remuneration, were the sole ingredient of cost of production, these two things would exchange for But will they do so? one another Certainly not The machine having been made in a year by an outlay of 500l, and profits being 20 per cent, the natural price of the machine is 6007 making an additional 1001; which must be advanced, over and above his other expenses, by the manufacturer of C, and repaid to him with a profit of 20 per cent While, therefore, the commodity A is sold for 1200l, C cannot be permanently sold for less than 1820l

A second consequence is, that every rise or fall of general profits will have an effect on values Not indeed by raising or lowering them generally, (which, as we have so often said, is a contradiction and an impossibility) but by altering the proportion in which the values of things are affected by the unequal lengths of time for which profit is due When two things; though made by equal labour, are of unequal value because the one is called upon to yield profit for a greater num ber of years or months than the other, this difference of value will be greater, when profits are greater, and less when they are less The wine which has to

yield live years profit more than the cloth, will surpass it in value much more if profits are 40 per cent, than if they are only 20. The commodities A and C, which, though mide by equal quantities of labour, were sold for 12001 and 13201, a difference of 10 per cent, would, if profits had been only half as much, have been sold for 11001. and 11551, a difference of only 5 per cent

It follows from this, that even a general rise of wages, when it involves a real increase in the cost of labour, does in some degree influence values It does not affect them in the manner vulgarly supposed, by raising them universally But an increase in the cost of labour, lowers profits, and therefore lowers in natural value the things into which profits enter in a greater proportion than the average, and raises those into which they enter in a less proportion than the average All commodities in the production of which machinery bears a large part, 'especially if the machinery is very durable, are lowered in their relative value when profits fall, or, what is equivalent, other things are raised in This truth value relatively to them is sometimes expressed in a phrase ology more plausible than sound, by saying that a rise of wages raises the value of things made by labour, in comparison with those made by ma But things made by ma chinery, just as much as any other things, are made by labour, namely the labour which made the machinery itself the only difference being that profits enter somewhat more largely into the production of things for which machinery is used, though the prin cipal item of the outlay is still labour It is better, therefore, to associate the effect with fall of profits than with rise of wages, especially as this last expression is extremely ambiguous, suggesting the idea of an increase of the labourer's real remuneration, rather than of what is alone to the purpose here, namely, the cost of labour to its employer

§ 6 Besides the natural and necessary elements in cost of production

-labour and profits-there are others which are artificial and casual, as for instance a tax. The tax on malt is as much a part of the cost of production of that article, as the wages of the labourers The expenses which the law imposes, as well as those which the nature of things imposes, must be reimbursed with the ordinary profit from the value of the produce, or the things will not continue to be produced. But the influence of taxation on valud is subject to the same conditions as the influence of wages and of profits) It is not general taxation, but differ ential taxation, that produces the If all productions were taxed cflect so as to take an equal percentage from all profits, relative values would be in no way disturbed If only a few com modities were taxed, their value would and if only a few were left untaxed, their value would fall. If half were taxed and the remainder untaxed. the first half would rise and the last would fall relatively to each other This would be necessary in order to equalize the expectation of profit in all employments, without which the taxed employments would ultimately, if not immediately, be abandoned, But general taxation, when equalify imposed, and not disturbing the ref. lations of different productions to on! another, cannot produce any effect of values

We have thus far supposed that all ? the means and appliances which enter into the cost of production of com modifies, are things whose own value; depends on their cost of production i Some of them, however, may belong to the class of things which cannot be increased ad libitum in quantity, and which therefore, if the demand goes beyond a certain amount, command a scarcity value The materials of many of the ornamental articles manufac tured in Italy are the substances called rosso, giallo, and verde antico, which, whether truly or falsely I know not, are asserted to be solely derived from the destruction of ancient columns and other ornamental structures quarries from which the stone was originally cut being exhausted, or their

locality forgotten * A material of | such a nature, if in much demand, must be at a scarcity value, and this - value enters into the cost of produc tion, and, consequently, into the value, of the finished article. The time seems to be approaching when the more valuable furs will come under the influence of a scarcity value of the Hitherto the diminishing material number of the animals which produce them, in the wildernesses of Siberia and on the coasts of the Esquimaux Sea, has operated on the value only through the greater labour which has become necessary for securing any given quan tity of the article, since, without doubt, by employing labour enough, it might still be obtained in much greater abundance for some time longer

. But the case in which scarcity value chiefly operates in adding to cost of production, is the case of natural agents. These, when unappropriated, and to be had for the taking do not enter mto cost of production, save to the extent of the labour which may be necessary to fit them for use when appropriated, they do not (as we have already seen) bear a value from the mere fact of the appropriation, but only from scarcity, that is, from him tation of supply But it is equally certain that they often do bear a scar Suppose a fall of water. city value in a place where there are more mills wanted than there is water power to supply them, the use of the fall of t water will have a scarcity value, suffi cient either to bring the demand down to the supply, or to pay for the creation of an artificial power, by steam or otherwise, equal in efficiency to the water power

 Some of these quarries, I believe have been rediscovered, and are again worked.

A natural agent being a possession in perpetuity, and being only serviceable by the products resulting from its continued employment, the ordinary mode of deriving benefit from its, ownership is by an annual equivalent, paid by the person who uses it, from, the proceeds of its use This equivalent always might be, and generally is, The question therefore, termed rent respecting the influence which the approputation of natural agents produces on values, is often stated in this form, Does Rent enter into Cost of Production? and the answer of the best political economists is in the negative The temptation is strong to the adoption of these sweeping expressions, even by those who are an are of the restrictions with which they must be taken, for there is no denying that they stamp a general principle more firmly on the mind, than if it were hedged round in theory with all its practical limitations But they also puzzle and mislead, and create an im pression unfavourable to political economy, as if it disregarded the evidence of facts No one can deny that rent; sometimes enters into cost of production. If I buy or rent a piece of ground, and build a cloth manufactory on it, the ground rent forms legitimately a part of my expenses of production, which must be repaid by the product. And since all factories are built on ground, and most of them in places where ground is peculiarly valuable, the rent paid for it must, on the ave rage, be compensated in the values of all things made in factories. In what! sense it is true that rent does not enter! m to the cost of production or affect the value of agricultural produce, will be shown in the succeeding chapter

OHAPTER Y

OF RENT, IN ITS RELATION TO VALUE

1 & 1 Wr has investigated the lan's which determine the value of two cincere of commodities the small Plass which, being limited to a definite againstite, have their value entirely de termined by demand and supply, savo that here cost of production (if they have any) constitutes a minimum below r high they cannot permanently fall, and the large class, which can be mult plied ad libitum by labour and capital, and of which the cost of production clikes the maximum as well as 'minimum at which they can perma nently exchange But there is still a third kind of commodities to be considered those which have, not one, but neveral costs of production; I luch can always be increased in qualitity by labour and capital, but not by the · same amount of lalour and capital, of which so much may be produced at a given cost, but a further quantity not These com without a greater cost modities form an intermediate class, partaking of the character of both the dolbers. The principal of them is agricultural produce We have already made abundant reference to the funda mental truth, that in agriculture, the state of the art being given, doubling the labour does not double the produce, that if an increased quantity of produce is required, the additional supply is obtained at a greater cost than the Where a hundred quarters of -corn are all that is at present required from the lands of a given village, if the growth of population made it ne cessary to raise a hundred more, either by breaking up worse land now uncul tivated, or by a more elaborate cultivation of the land already under the plough, the additional hundred, or . some part of them at least, might cost double or troble as much per quarter as the former supply

If the first hundred quarters were

the best land being cultivated) and if that expense would be remnnerated with the ordinary profit by a price of 20 the quarter, the natural price of wheat, so long as no more than that quantity was required, would be 20s and it could only rise above, or fall below that price, from vicissitudes of sersons, or other casual variations in supply But if the population of the district advanced, a time would arrive when more than a hundred quarters would be necessary to feed it. must suppose that there is no access to any foreign supply By the hypo thesis, no more than a hundred quarters can be produced in the district, unless by either bringing worse land into cultivation, or altering the system of culture to a more expensive one Neither of these things will be done without a rise in price. This rise of price will gradually be brought about by the increasing demand as the price has risen, but not risen enough to repay with the ordinary profit the cost of producing an additional quantity, the increased value of the limited supply partakes of the nature of a scarcity value Suppose that it will not answer to cultivate the second best land, or land of the second degree of remoteness, for a less return than 25s the quarter, and that this price is also necessary to remunerate the expensive operations by which an mer ased produce might be raised from land of the first quality. If so, the price will rise, through the increased demand, until it reaches 25s will now be the natural price, being the price without which the quantity, for which society has a demand at that price, will not be produced that price, however, society can go on for some time longer, could go on perliaps for ever, if population did not increase The price, having attained all mused at the same expense (only | that point will not again permanently

recode (though it may fall temporarily from accidental abundance), nor will it advance further, so long as society can obtain the supply it requires without a second increase of the cost of production

I have made use of Price in this reasoning, as a convenient symbol of Value, from the greater familiarity of the idea, and I shall continue to do so as far as may appear to be necessary

In the case supposed, different portions of the supply of corn have dif ferent costs of production Though the 20, or 50, or 150 quarters addi tional have been produced at a cost proportional to 25s, the original hun dred quarters per annum are still produced at a cost only proportional to 20s This is self-evident, if the original and the additional supply are produced on different qualities of land equally true if they are produced on the same land Suppose that land of the best quality, which produced 100 quarters at 20s, has been made to produce 150 by an expensive process, which it would not answer to under The cost take without a price of 25s which requires 25s is incurred for the sake of 50 quarters alone hundred might have continued for ever to be produced at the original cost, and with the benefit, on that quantity, of the whole rise of price caused by the increased demand no one, there flore, will incur the additional expense . for the sake of the additional fifty, unless they alone will pay for the whole of it The fifty, therefore, will be produced at their natural price, proportioned to the cost of their production while the other hundred will now bring in 5s a quarter more than their natural price—than the price corresponding to, and sufficing to re munerate, their lower cost of production

If the production of any, even the smallest, portion of the supply, requires as a necessary condition a certain price, that price will be obtained for all the rest. We are not able to buy one loaf cheaper than another because the corn from which it was made, being grown on a richer

soil, has cost less to the grower. The value, therefore, of an article (meaning its natural, which is the same with its average value) is determined by the cost of that portion of the supply which is produced and brought to market at the greatest expense. This is the Law of Value of the third of the three classes into which all commodities are divided.

§ 2 If the portion of produce raised 470 in the most unfavourable circumstances, 4, obtains a value proportioned to its cost of production, all the portions raised, in more favourable circumstances, sell ing as they must do at the same value, t obtain a value more than proportioned to their cost of production Their value, is not, correctly speaking, a scarcity value, for it is determined by the circle. cumstances of the production of the commodity, and not by the degree of L dearness necessary for keeping down? the demand to the level of a limited Co supply The owners, however, of those portions of the produce enjoy a prising vilego, they obtain a value which yields them more than the ordinary profit If this advantage depends upon any special exemption, such as being free from a tax, or upon any personal advantages, physical or mental, or & any peculiar process only known to themselves, or upon the possession of a greater capital than other people. or upon various other things which might be enumerated, they retain it to themselves as an extra gain, over and above the general profits of capital, of the nature, in some sort, of a monopoly But when, as in the case, which we are more particularly considering, the advantage depends on the possession of a natural agent of peculiar quality, as, for instance, of more fertile land than that which determines the general value of the commodity, and when this natural; agent is not owned by themselves, the person who does own it, is able to exact from them, in the form of rent, the whole extra gain derived from its We are thus brought by another road to the Law of Rent, investigated in the concluding chapter of the Second

flook Rent, we again see, is the difference between the unequal returns to different parts of the capital employed on the soil. Whatever surplus any portion of agricultural capital produces, beyond what is produced by the same amount of capital on the worst soil, or under the most expensive mode of cultivation, which the existing demands of society compet a recourse to, that surplus will naturally be paid as rent from that capital, to the owner of the land on which it is employed

of the land on which it is employed It was long thought by political economists, among the rest even by Adam Smith, that the produce of land is always at a monopoly value, because (they said) in addition to the ordinary trate of profit, it always yields some thing further for rent This we now see to be erroneous A thing cannot be at a monopoly value, when its supply can be increased to an indefinite extent if we are only willing to incur the If no more corn than the existing quantity is grown, it is because the value has not risen high enough to remunerate any one for growing it Any land (not reserved for other uses, or for pleasure) which at the existing price, and by the existing processes, will yield the ordinary profit, is tolerably certain, unless some artificial hindrance intervenes, to be cultivated, although nothing may be left for rent. As long as there is any land fit for cultivation, which at the existing price cannot be profitably cultivated at all. there must be some land a little better, which will yield the ordinary profit, but allow nothing for rent and that land, if within the boundary of a farm, will be cultivated by the farmer, if not so, probably by the proprietor, or by some other person on sufferance Some such land at least, under cultivation, there can scarcely fail to be

Rent, therefore, forms no part of the cost of production which determines the value of agricultural produce Circumstances no doubt may be con ceived in which it might do so, and very largely too. We can imagine a country so fully peopled, and with all its cultivable soil so completely occupied, that to produce any additional

quantity would require more labour than the produce would feed and if we suppose this to be the condition of the whole world, or of a country debarred from foreign supply, then, if population continued increasing, both the land and its produce would really rise to a monopoly or scarcity price! But this state of things never can have really existed anywhere, unless pos sibly in some small island cut off from the rest of the world, nor is there any danger whatever that it should exist It certainly exists in no known region Monopoly, we have seen, at present can take effect on value, only through limitation of supply In all countries of any extent there is more cultivable land than is yet cultivated and while there is any such surplus, it is the same thing, so far as that quality of land is concerned, as if there were an What is pracindefinite quantity tically limited in supply is only the better qualities, and even for those, so much rent cannot be demanded as would bring in the competition of the lands not yet in cultivation, the rent of a piece of land must be somewhat less than the whole excess of its productiveness over that of the best land which it is not yet profitable to call tivate, that is, it must be about equal to the excess above the worst land which it is profitable to cultivate. The land or the capital most unfavourably circumstanced among those actually employed, pays no rent, and that land or capital determines the cost of production which regulates the value of the whole produce Thus rent 18, as we have already seen, no cause of value but the price of the privilege which the mequality of the returns to different portions of agricultural produce-confors on all except the least favoured portion

Rent, in short, merely equalizes the profits of different farming capitals, by enabling the landlord to appropriate all extra gains occasioned by superiority of natural advantages. If all landlords were unanimously to torego their rent, they would but transfer it to the farmers, without benefiting the consumer, for the existing price of corn would still be an indepensable

condition of the production of part of the existing supply, and if a part obtained that price the whole would obtain it. Rent, therefore, unless artificially increased by restrictive laws, is no burthen on the consumer, it does not raise the price of corn, and is no otherwise a detriment to the public, than masmuch as if the state had retained it, or imposed an equivalent in the shape of a land tax, it would then have been a fund applicable to general instead of private advantage

Agricultural productions are not the only commodities which have several different costs of production at once, and which, in consequence of that difference, and in proportion to it, afford a rent. Mines are also an in stance Almost all kinds of raw material extracted from the interior of the earth -metals, coals, precious stones, &c., are obtained from mines differing considerably in fertility, that is, yielding very different quantities of the product to the same quantity of labour and capital. This being the case, it is an obvious question, why are not the most fertile mines so worked as to supply the whole market? No such question can arise as to land, it being self-evident, that the most fertile lands could not possibly be made to supply the whole demand of a fully peopled country, and even of what they do yield, a part is extorted from them by a labour and outlay as great as that required to grow the same amount on worse land. But it is not so with mines, at least, not universally There are, perhaps, cases in which it is impossible to extract from a particular vein, in a given time, more than a certain quantity of ore, because there is only a limited surface of the vein exposed, on which more than a certain number of labourers cannot be simul taneously employed But this is not true of all mines In collieries, for example, some other cause of limitation must be sought for In some instances the owners limit the quan tity raised, in order not too rapidly to exhaust the pune in others there are uaid to be combinations of owners, to

keep up a monopoly price by limiting the production Whatever be the causes, it is a fact that mines of dif ferent degrees of richness are in operation, and since the value of the produce must be proportional to the cost of production at the worst mine (fer tility and situation taken together), it 18 m re than proportional to that of the ocst All mines superior in produce to the worst actually worked, will yield, therefore, a rent equal to the They may yield more, and, the worst mine may itself yield a rent Mines being comparatively few, their qualities do not graduate gently into one another, as the qualities of land do, and the demand may be such as to keep the value of the produce considerably above the cost of production at the worst mine now worked, with out being sufficient to bring into operation a still worse During the interval, the produce is really at a scarcity

value Fisheries are another example Fish eries in the open sea are not appropriated, but fisheries in lakes or rivers almost always are so, and likewise oyster beds or other particular fishing grounds on coasts. We may take salmon fisheries as an example of the whole class. Some rivers are far more productive in salmon than others None, however, without being hausted, can supply more than a very limited demand. The demand of a country like England can only be supplied by taking salmon from many different rivers of unequal productiveness, and the value must be sufficient to repay the cost of obtaining the fish, from the least productive of these All' others, therefore, will if appropriated) afford a rent equal to the value of thoir superiority Much higher than this it cannot be, if there are salmon rivers accessible which from distance or in ferior productiveness have not yet con tributed to supply the market there are not, the value, doubtless, may rise to a scarcity rate, and the worst () fisheries in use may then yield a considerable rent

Both in the case of mines and of fisheries, the natural order of events by

liable to be interrupted by the opening of a new mine, or a new fishery, of superior quality to some of those The first effect of such already in use an incident is an increase of the supply, which of course lowers the value to call forth an increased demand reduced value may be no longer sufficient to remunerate the worst of the existing mines or fisheries, and these may consequently be abandoned the superior mines or fisheries, with the addition of the one newly opened, produce as much of the commodity as is required at the lower value corre sponding to their lower cost of production, the fall of value will be permanent, and there will be a corresponding fall in the rents of those mines or fisheries which are not abundoned In this case, when things have permanently adjusted themselves, the result will be, that the scale of qualities which supply the market will have been cut short at the lower end, while a new insertion will have been made in the scale at some point higher up, and the worst mine or fishery in use—the one which regulates the rents of the superior qualities and the value of the commodity-will be a mine or fishery of better quality than that by which they were previously regulated

Land is used for other purposes than agriculture, especially for rest dence, and when so used, yields a rent, determined by principles similar those already laid down ground rent of a building, and the rent of a garden or park attached to it, will not be less than the rent which the same land would afford in agriculture but may be greater than this to an indefinite amount the surplus being either in consideration of beauty or of convenience, the convenience often consisting an superior facilities for pecumary gain Sites of remarkable beauty are generally limited in supply, and therefore, if in great demand, are at a scarcity value Sites superior only in convenience, are governed as to their value by the ordinary principles of rent The ground rent of a house in a small village is but little higher

ground in the open fields but that of a shop in Cheapside will exceed these. by the whole amount at which people estimate the superior facilities of moneymaking in the more crowded place! The rents of wharfage, dock and harbour room, water-power, and many other privileges, may be analysed on similar principles

§ 4 Cases of extra profit analogous, to reut, are more frequent in the transactions of industry than is sometimes! supposed. Tal e the case, for example, of a patent, or exclusive privilege for \. the use of a process by which cost of production is lessened. If the value of the product continues to be regulated by what it costs to those who are obliged to persist in the old process, the patentee will make an extra profit equal to the advantage which his process possesses over theirs This extra profit is essentially similar to rent, and sometimes even assumes the form of it, the patentee allowing to other producers the use of his privilege, in con sideration of an annual payment long as he, and those whom he associates in the privilege, do not produce enough to supply the whole market, so long the original cost of production, being the necessary condition of producing a part, will regulate the value of the whole, and the patentee will be enabled to keep up his rent to a full equivalent for the advantage which his process gives him. In the com mencement indeed he will probably forego a part of this advantage for the sake of underselling others the in creased supply which he brings forward will lower the value, and make the trade a bad one for those who do not share in the privilege many of whom therefore will gradually retire, or restrict their operations, or enter into arrangements with the patentee, As his supply increases theirs will diminish, the value meanwhile contuning slightly depressed. But if he stops short in his operations before the market is wholly supplied by the new process, things will again adjust them selves to what was the natural value than the rent of a similar patch of before the invention was made, and

the benefit of the improvement will

accrne solely to the patentee

The extra gains which any producer or dealer obtains through superior ta lents for business, or superior business arrangements, are very much of a If all his competitors eimilar kind had the same advantages, and used them, the benefit would be transferred to their customers, through the dimi nished value of the article be only retains it for himself because he is able to bring his commodity to market at a lower cost, while its value is deter mined by a higher All advantages, in fact, which one competitor has over another, whether natural or acquired, whether personal or the result of social arrangements, bring the commodity, so the possessor of the advantage to a a receiver of rent Wages and profits production, while rent may be taken to represent the differential and pecu har any difference in favour of certain producers, or in favour of production in certain circumstances, being the source of a gain, which, though not called

rent unless paid periodically by one person to another, is governed by laws entirely the same with it The price/ paid for a differential advantage in producing a commodity, cannot enter into the general cost of production of the commodity

A commodity may, no doubt, in some contingencies, yield a rent even under the most disadvantageous circumstances of its production, but only when it is, for the time, in the condition of those commodities which are absolutely limited in supply, and is therefore selling at a scarcity value, which never is, nor has been, nor can be, a permanent condition of any of the great rent-yielding commodities less through their approaching exhausfar, into the Third Class, and assimilate tion, if they are mineral products (coal, for example), or through an increase of population, continuing after a further represent the universal elements in increase of production becomes impossible, a contingency, which the almost inevitable progress of human culture and improvement in the long interval which has first to elapse, for bids us to consider as probable

OHAPTER VL

BUNNARY OF THE THFORY OF VALUE.

§ 1 We have now attained a favour able point for looking back, and taking a simultaneous view of the space which we have traversed since the commence ment of the present Book. following are the principles of the theory of Value, so far as we have yet ascertained them

I Value is a relative term value of a thing means the quantity of some other thing, or of things in general, which it exchanges for The values of all things can never, therefore, rise or fall simultaneously There is no such thing as a general rise or a general fall of values Every rise of value supposes a fall, and every fall a rise

II The temporary or market value

of a thing depends on the demand and supply, rising as the demand rises, and falling as the supply rises demand, however, varies with the value, being generally greater when the thing is cheap than when it is dear, and the value always adjusts itself in such a manner, that the demand 18 equal to the supply

III Besides their temporary value, things have also a permanent, or as it may be called, a Natural Value, to which the market value, after every variation, always tends to return, and the oscillations compensate for one another, so that, on the average, commedities exchange at about their natural

IV The natural value of some things is a scarcity value but most things naturally exchange for one another in the ratio of their cost of production, or at what may be termed their Cost Value

V The things which are naturally and permanently at a scarcity value, are those of which the supply cannot be increased at all, or not sufficiently to satisfy the whole of the demand which would exist for them at their cost value

VI A monopoly value means a scarcity value Monopoly cannot give a value to anything, except through a

Ilmitation of the supply

VII Every commodity of which the supply can be indefinitely increased by labour and capital, exchanges for other things proportionally to the cost necessary for producing and bringing to market the most costly portion of the supply required. The natural value is synonymous with the Cost Value, and the cost value of a thing, means the cost value of the most costly portion of it.

VIII Cost of Production consists of several elements, some of which are constant and universal, others occasional The universal elements of cost of production are, the wages of the labour, and the profits of the capital. The occasional elements are, taxes, and any extra cost occasioned by a scarcity value of some of the requisites

IX Rent is not an element in the cost of production of the commodity which yields it except in the cases, (rather conceivable than actually existing) in which it results from, and represents, a scarcity value. But when land capable of yielding rent in agriculture is applied to some other purpose, the rent which it would nave yielded is an element in the cost of production of the commodity which it is employed to produce.

X. Omitting the occasional elements, things which admit of indefinite in crease, naturally and permanently exchange for each other according to the comparative amount of wages which must be paid for producing them, and the comparative amount of profits which must be obtained by the capitalists who pay those wages.

AI. The comparative amount of wages does not depend on what wages are in themselves. High wages do not make high values, nor low wages low values. The comparative amount of wages depends partly on the comparative quantities of labour required, and partly on the comparative rates of its remuneration.

XII So, the comparative rate of profits does not depend on what profits are in themselves, nor do high or low profits make high or low values. It depends partly on the comparative lengths of time during which the capital is employed, and partly on the comparative rate of profits in different emparative rate of profits in different emparative rate.

ployments

XIII If two things are made by the same quantity of labour, and that labour paid at the same rate, and if the wages of the labourer have to be advanced for the same space of time, and the nature of the employment does not require that there be a permanent difference in their rate of profit, then, whether wages and profits be high or low, and whether the quantity of labour expended be much or little, these two things will, on the average, exchange for one another

XIV If one of the two things commands, on the average, a greater value than the other, the cause must be that it requires for its production either a greater quantity of labour, or a kind of labour permanently paid at a higher rate, or that the capital, or part of the capital, which supports that labour, must be advanced for a longer period, or lastly, that the production is attended with some circumstance which requires to be compensated by a permanently higher rate of profit

XV Of these elements, the quantity of labour required for the production is the most important the effect of the others is smaller, though none of them

are insignificant

XVI The lower profits are, the less important become the minor elements of cost of production, and the less do commodities deviate from a value proportioned to the quantity and quality of the labour required for their production.

XVII But eve viall of profits lowers, in so n. degree, the cost value of things made with much or durable machinery, and raises that of things made by hand, and every rise of profits does the reverse

§ 2 Such is the general theory of Frehange Value It is necessary, however, to remark that this theory contemplates a system of production carried on by capitalists for profit, and no br labourers for subsistence In proportion as we admit this last supposition -and in most countries we must admit it, at least in re spect of agricultural produce, to a very great extent—such of the pre ording theorems as relate to the derendence of value on cost of produc tion will require modification theorems are all grounded on the sup i position, that the producer's object nd aim is to denve a profit from he capital This granted, it follows that he must sell his commodity at the price which will afford the ordi nar" rate of profit, that is to say, it must exchange for other commodities , this cost value. But the peasant proprietor, the metaver, and oven the p want ferreer or allotment-holderthe laten rer, under whatever name, pro-I dueing on his own account—is seeking, not an investme it for his little capital, 'Lut un advantazione employment for the tirm and labour. His disburge tients beyond his own maintenance and that of his family, are so small, that pearly the whole proceeds of the l isto (file produce are agos of labou I has be red his family have been, perhaps of hid with materials grown theren, and manufactural in the tick) be rise, in regret of the superrors to uncertain denied from the sile of the surplus proluce, bol e might to their labourers the, do as no their subastence from an in eleganthrow evance, can unford to sell!

below what would be its cost value to the capitalist

There is, however, even in this case, ! a minimum, or inferior limit, of value 'I he produce which he carries to market, must bring in to him the value of all necessaries which he is compelled to purchase, and it must enable him to pay his rent Rent, under peasant cultivation, is not governed by the principles set forth in the chapters immediately preceding, but is either determined by custom, as in the case of metayers, or, if fixed by competition, depends on the ratio of population to Rent, therefore, in this case, is an element of cost of production. pensant must work until he has cleared lus rent and the price of all purchased necessaries After this, he will go on working only if he can sell the produce for such a price as will overcome his aversion to labour

The minimum just mentioned is what the peasant must obtain in exchange for the whole of his surplus produce But masmuch as this surplus is not a fixed quantity, but may be cither greater or less according to the degree of his industry, a minimum value for the whole of it does not give any minimum value for a definite quantity of the commodity In this state of things, therefore, it can hardly be said, that the value depends at all on cost of production. It depends entirely on demand and supply, that is, on the proportion between the quantity of surplus food which the peasants choose to produce, and the numbers of the non agricultural, or rather of the non peasant p pulation If the buying fed from the preduce of the farm (and class were numerous and the growing class lazz, food might be permanently at a searcity price. I am not award that this case has anywhere a real If the growing class is existence energetic and industrious, and the laters few, food will be extremely cheap. This also is a rare case, though some par's of I rance perhaps approxi ther labour at any price which is to justo to it. The common cases are, the runds worth if n ex rien A cither that, as in Ireland until lately, transport, who supports his self rulling the persont class is indefent and the time with an pretion of his produce, butter for, or the pravious industrious , we can soll the remainder very much I and the town population numerous and

opulent, as in Belgium, the north of Italy, and parts of Germany. The price of the produce will adjust itself to these varieties of circumstances, unless modified, as in many cases it is, by the competition of producers who are not peasants, or by the prices of foreign markets.

§ 3 Another anomalous case is that of slave grown produce which presents, however, by no means the same The slavedegree of complication Nowner is a capitalist, and his inducement to production consists in a profit to the ordinary rate In respect to his on his capital. This profit must amount expenses, he is in the same position as of his slaves were free labourers working with their present efficiency, and were hired with wages equal to their present If the cost is less in proportion to the work done, than the wages of free labour would be, so much the greater are his profits but if all other producers in the country possess the same advantage, the values of com-

modities will not be at all affected by The only case in which they can be affected, is when the privilege of cheap labour is confined to particular branches of production, free labourers at proportionally higher wages being employed in the remainder. In this case, as in all cases of permanent in equality between the wages of different employments, prices and values receive the impress of the inequality Slave grown will exchange for non slavegrown commodities in a less ratio than that of the quantity of labour required) for their production, the value of the former will be less, of the latter greater, l than if slavery did not exist

The further adaptation of the theory of value to the varieties of existing or possible industrial systems may be left with great advantage to the intelligent reader. It is well said by Montesquien, "It is not always advisable so completely to exhaust a subject, as to leave nothing to be done by the reader. The important thing is not to be read, but to excite the reader to thought?"*

CHAPTER VII

OF MONEY

\$ 1 Having proceeded thus far in ascertaining the general laws of Value, without introducing the idea of money (except occasionally for illustration), it is time that we should now superadd that idea, and consider in what man inter the principles of the mutual interchange of commodities are affected by the use of what is termed a Medium of Exchange

In order to understand the manifold functions of a Circulating Medium, there is no better way than to consider what are the principal inconveniences which we should experience if we had not such a medium. The first and most obvious would be the want of a common measure for values of different sorts. If a tailor had only coats, and wanted to buy bread or a

horse, it would be very troublesome to ascertain how much bread he ought to obtain for a coat, or how many coats The calcu he should give for a horse lation must be recommenced on dif ferent data, every time he bartered his coat for a different kind of article, and there could be no current price, or regular quotations of value Whereas now each thing has a current price in money, and he gets over all difficulties by reckoning his coat at 4l or 5l, and a four pound loaf at 6d or 7d As it is much easier to compare different lengths by expressing them in a common language of feet and inches, so it is much easier to compare values by means of a common language of pounds, shillings, and pence. * Spirit of Laws conclusion of book xi

other way can values be arranged one above another in a scale, in no other can a person conveniently calculate the sum of his possessions, and it is easier to ascertain and remember the relations of many things to one thing, than their innumerable cross relations This advantage of with one another having a common language in which values may be expressed, is, even by itself, so important, that some such 'mode of expressing and computing them would probably be used even if a pound or a shilling did not express any real thing, but a mere unit of cal It is said that there are African tribes in which this somewhat artificial contrivance actually prevails. They calculate the value of things in

a sort of money of account, called ma

twenty *

cutes They say, one thing is worth ten macutes, another fifteen, another

There is no real thing

called a macute it is a conventional unit, for the more convenient com parison of things with one another This advantage, however, forms but an inconsiderable part of the economical benefits derived from the use of ' money The inconveniences of barter are so great, that without some more commodious means of effecting ex changes, the division of employments could hardly have been carned to any considerable extent A tailor, who had nothing but coats, might storve before he could find any person having bread to sell who wanted a cont endes, he would not want as much bread at a time as would be worth a coat, and the coat could not be divided. Every person, therefore, would at all times hasten to dispose of his com modity in exchange for anything which, though it might not be fitted to his own immediate wants, was in great and general demand, and easily divisible, so that he might be sure of being able to purchase with it whatever was offered for sale The primary necessames of life possess these properties in a high degree Bread is extremely divisible, and an object of universal Still, this is not the sort of

Montesquieu, Spirit of Laws, book xxii.
 ch 6

thing required, for, of food, unless in expectation of a scarcity, no one wishes to possess more at once, than is wanted for immediate consumption, so that a person is never sure of finding an immediate purchaser for articles of food and unless soon disposed of, most of them perish. The thing which people would select to keep by them for making purchases, must be one which besides being divisible, and generally desired, does not deteriorate by keeping. This reduces the choice to a small number of articles.

§ 2 By a tacit concurrence, almost all nations, at a very early period, fixed upon certain metals, and especially gold and silver, to serve this purpose No other substances unite the necessary qualities in so great a degree, 2 with so many subordinate advantages Next to food and clothing, and in L. some climates even before clothing, the strongest inclination in a rude state of society is for personal ornament, and for the kind of distinction which is obtained by rarity or costliness in such ornaments. After the immediate necessities of life were satisfied, every one was eager to accumulate as great a store as possible of things at once costly and ornamental, which were chiefly gold, silver, and jewels These were the things which it most pleased every one to possess, and which there was lo most certainty of finding others willing to receive in exchange for any kind of They were among the most produce imperishable of all substances were also portable, and containing great value in small bulk, were easily hid a consideration of much importance in an age of insecurity Jewels are inferior to gold and silver in the quality of divisibility, and are of very various qualities, not to be accurately discri minated without great trouble Gold and silver are eminently divisible, and when pure always of the same quality and their punty may be ascertained and certified by a public authority

Accordingly, though furs have been employed as money in some countries, cattle in others, in Chinese Tartary cubes of tea closely pressed together,

1 Devisibility, 15 (1)

the shells called cownes on the coast of Western Africa, and in Abyssima at this day blocks of rock salt, though even of metals, the less costly have sometimes been chosen, as iron in Lacedæmon from an ascetic policy, copper in the early Roman republic from the poverty of the people, gold and silver have been generally preferred by nations which were able to obtain them, either by industry, commerce, or con-To the qualities which originally recommended them, another came to be added, the importance of which only unfolded itself by degrees Of all commodities, they are among the least influenced by any of the causes which produce fluctuations of No commodity is quite free from such fluctuations Gold and silver have sustained, since the beginning of history, one great permanent altera tion of value, from the discovery of the American mines, and some temporary variations, such as that which, in the last great war, was produced by the absorption of the metals in hoards, and in the military chests of the immense armies constantly in the field. In the present age the opening of new sources of supply, so abundant as the Ural Mountains, California, and Australia, may be the commencement of another period of decline, on the limits of which it would be useless at present to speculate But on the whole, no com modities are so little exposed to causes of variation. They fluctuate less than almost any other things in their cost of production. And from their dura bility, the total quantity in existence is at all times so great in proportion to the annual supply, that the effect on value even of a change in the cost of production is not sudden a very long time being required to diminish mate nally the quantity in existence, and even to morease it very greatly not being a rapid process Gold and silver, therefore, are more fit than any other commodity to be the subject of engage ments for receiving or paying a given quantity at some distant period. the engagement were made in corn, la failure of crops might increase the burthen of the payment in one year

to fourfold what was intended, or an exuberant harvest sink it in another to one-fourth. If stipulated in cloth, some manufacturing invention might permanently reduce the payment to a tenth of its original value. Such things have occurred even in the case of payments stipulated in gold and silver, but the great fall of their value after the discovery of America, is, as yet, the only authenticated instance, and in this case the change was extremely gradual, being spread over a period of many years

When gold and silver had become virtually a medium of exchange, by becoming the things for which people generally sold, and with which they generally bought, whatever they had! to sell or buy, the contrivance of coin ; ing obviously suggested itself By this: process the metal was divided into convenient portions, of any degree of smallness, and bearing a recognised proportion to one another, and the trouble was saved of weighing and assaying at every change of possessors, an inconvenience which on the occasion of purchases would soon have smail become insupportable Governments found it their interest to take the operation into their own hands, and to interdict all coming by private persons, indeed, their guarantee was often the only one which would have been rehed on, a reliance however which very often it ill deserved, profligate govern ments having until a very modern period seldom scrupled, for the sake of robbing their creditors, to confer on all other debtors a licence to rob their, by the shallow and impudent artifice of lowering the standard, that least covert of all modes of knavery, which consists in calling a shilling a pound, that a debt of a hindred pounds may be cancelled by the payment of a hun dred shillings It would have been as simple a plan, and would have answered the purpose as well, to have enacted that "a hundred" should always be in terpreted to mean five, which would have effected the same reduction in all pecuniary contracts, and would not have been at all more shameless Such strokes of policy have not wholly

ceased to be recommended, but they have ceased to be practised, except occasionally through the medium of paper money, in which case the character of the transaction, from the greater obscurity of the subject, is a little less barefaced

§ 3 Money when its use has grown habitual, is the medium through which the incomes of the different members of the community are distributed to them, and the measure by which they estimate their possessions always by means of money that people provide for their different necessities, there grows up in their minds a power ful association leading them to regard money as wealth in a more peculiar sense than any other article, and even those who pass their lives in the production of the most useful objects, ac quire the habit of regarding those objects as chiefly important by their capacity of being exchanged for money A person who parts with money to obtain commodities, unless he intends to sell them, appears to the imagina tion to be making a worse bargain than a person who parts with commodities to get money, the one seems to be spending his means, the other adding Illusions which, though now in some measure dispelled, were long powerful enough to overmaster the mind of every politician, both specula tive and practical, in Europe

It must be evident, however, that the mere introduction of a particular mode of exchanging things for one another, by first exchanging a thing for money, and then exchanging the money for something else, makes no difference in the essential character of transactions It is not with money that things are really purchased body's income (except that of the gold or silver miner) is derived from the precious metals The pounds or shil hings which a person receives weekly or yearly, are not what constitutes his income, they are a sort of tickets or orders which he can present for payment at any shop he pleases, and which entitle him to receive a certain value of any commodity that he makes choice !

The farmer pays his labourers and of his landlord in these tickets, as the most convenient plan for himself and them, but their real income is their share of his corn, cattle, and hay and it makes no essential difference whether he distributes it to them directly, or sells it for them and gives them the price, but as they would have to sell it for money if he did not, and as he 18 a seller at any rate, it best suits the purposes of all, that he should sell their share along with his own, and leave the Inbourers more leisure for work and the landlord for being idle talists, except those who are producers of the precious metals, derive no part of their income from those metals, since they only get them by buying them with their own produce while all other persons have their incomes paid to them by the capitalists, or by those who have received payment from the capitalists. and as the capitalists have nothing, from the first, except their produce, it is that and nothing else which supplies all incomes furnished by them cannot, in short, be intrinsically a more insignificant thing, in the economy of society, than money, except in the character of a contrivance for sparing time and labour. It is a machine for! doing quickly and commodiously, what; would be done, though less quickly and commodiously, without it and like many other kinds of machinery, it only exerts a distinct and independent influence of its own when it gets out of order

The introduction of money does not ! interfere with the operation of any of the Laws of Value laid down in the preceding chapters. The reasons which make the temporary or market value of things depend on the demand and supply, and their average and permanent values upon their cost of production, are as applicable to a money system as to a system of barter Things which by barter would exchange for one another, will, if sold for money, sell for an equal amount of it, and so will exchange for one another still, though the process of exchanging them will consist of two operations instead of only one The relations of com

modities to one another remain unal tered by money the only new relation introduced, is their relation to money itself, how much or how little money they will exchange for, in other words, how the Exchange Value of money itself is determined. And this is not a question of any difficulty, where the illusion is dispelled, which caused money to be looked upon as a peculiar thing, not governed by the same laws as other things. Money is a commodity, and its value is determined like that of other commodities, temporarily by domand and supply, perminently and

on the average by cost of production. The illustration of these principles, con sidered in their application to money, must be given in some detail, on account of the confusion which, in minds not scientifically instructed on the subject, envelopes the whole matter, partly from a lingering remnant of the old misleading associations, and partly from the mass of vapoury and baseless speculation with which this, more than any other topic of political economy, has in latter times become surrounded I shall therefore treat of the Value of Money in a chapter apart.

CHAPTER VIII.

OF THE VALUE OF MONEY, AF DEPENDENT ON DEMAND AND SUPPLY

5. § 1 Ir is unfortunate that in the very outset of the subject we have to clear from our path a formidable ambiguity of language The Value of Money is to appearance an expression as precise, as free from possibility of misunderstanding, as any in science The value of a thing, is what it will exchange for the value of money, is what money will exchange for, the If prices purchasing power of money are low, money will buy much of other things, and is of high value, if prices are high, it will buy little of other things, and is of low value The value of money is inversely as general prices falling as they rise, and rising as they fall

But unhapply the same phrase is also employed, in the current language of commerce, in a very different sense Money, which is so commonly understood as the synonyme of wealth, is more especially the term in use to denote it when it is the subject of borrowing. When one person lends to another, as well as when he pays wages or rent to another, what he transfers is not the mere money, but a right to a certain value of the produce of the country, to be selected at pleasure, the lender having first bought this right,

by giving for it a portion of his capital What he really lends is so much capital, the money is the mere matru ment of transfer But the capital usually passes from the lender to the receiver through the means either of money, or of an order to receive money, and at any rate it is in money that the capital is computed and estimated Hence, borrowing capital is universally called borrowing money, the loan market is called the money market those who have their capital disposable! for investment on loan are called the momed class—and the equivalent given/ for the use of capital, or in other words, interest, is not only called the interest of money, but, by a grosser perversion of terms, the value of money misapplication of language, assisted by some fallacious appearances which we shall notice and clear up hereafter,* has created a general notion among persons in business, that the Value of Money, meaning the rate of interest, has an intimate connexion with the Value of Money in its proper sense, the value or purchasing power of the circulating medium. We shall return to this subject before long at present it 18 enough to say, that by Value I shall • Infra. ch. xxiii.

always mean Exchange Value, and by money the medium of exchange, not the capital which is passed from hand to hand through that medium

§ 2 The value or purchasing power of money depends, in the first instance, on demand and supply But demand and supply, in relation to money, present themselves in a somewhat different shape from the demand and supply of

other things The supply of a commodity means the quantity offered for sale But it is not usual to speak of offering money People are not usually said This, however, to buy or sell money is merely an accident of language In point of fact, money is bought and sold like other things, whenever other things are bought and sold for money Whoever sells corn, or tallow, or cotton, Whoever buys bread, or buys money wine, or clothes, sells money to the The money dealer in those articles with which people are offering to buy, is money offered for sale. The supply of money, then, is the quantity of it which people are wanting to lay out, that is, all the money they have in their possession, except what they are hoarding, or at least keeping by them as a reserve for future contingencies The supply of money, in short, is all the money in circulation at the time

The demand for money, again, con 'sists of all the goods offered for sale Every seller of goods is a buyer of money, and the goods he brings with him constitute his demand. mand for money differs from the demand for other things in this, that it is limited only by the means of the pur chaser The demand for other things is for so much and no more, but there is always a demand for as much money as can be got l'ersons may indeed refuse to sell, and withdraw their goods from the market, if they cannot get for them what they consider a sufficient price But this is only when they think that the price will rise, and that they shall get more money by waiting they thought the low price likely to be permanent, they would take what they

could get It is always a sine qua non with a dealer to dispose of his goods

As the whole of the goods in the market compose the demand for money, so the whole of the money constitutes the demand for goods. The money and the goods are seeking each other for the purpose of being exchanged. They are reciprocally supply and demand to one another. It is indifferent whether, in characterizing the phenomena, we speak of the demand and supply of goods, or the supply and the demand of money. They are equivalent ox

pressions We shall proceed to illustrate this proposition more fully. And in doing this, the reader will remark a great dif ference between the class of questions which now occupy us, and those which we previously had under discussion respecting Values In considering Value, we were only concerned with causes which acted upon particular commodities apart from the rest Causes which affect all commodifies alike, do not act upon values But in consider ing the relation between goods and money, it is with the causes that operate upon all goods whatever, that we are especially concerned We are ! comparing goods of all sorts on one side, with money on the other side, as things to be exchanged against each other

Suppose, everything else being the same, that there is an increase in the quantity of money, say by the arrival of a foreigner in a place, with a treasure of gold and silver When he commence expending it (for this question it matters not whether productively or unproductively), he adds to the supply of money, and by the same act, to the demand for goods Doubtless he adds, in the first instance, to the demand only for certain kinds of goods, namely, those which he selects for purchase, he will immediately ruise the price those, and so far as he is individually concerned, of those only If he spends his funds in giving entertainments, he will raise the prices of food and wine If he expends them in establishing a manufactory, he will raise the prices of labour and materials But at the , higher prices, more money will pass into the hands of the sellers of these different articles, and they, whether labourers or dealers, having more money to lay out, will create an increased demand for all the things which they are eccustomed to purchase these accord angly will rise in price, and so on until the rise has reached everything. I say everything, though it is of course pos sible that the influx of money might take place through the medium of some new class of consumers, or in such a manner as to alter the proportions of different classes of consumers to one another, so that a greater share of the national income than before would thenceforth be expended in some ar ticles, and a smaller in others, exactly as if a change had taken place in the tastes and wants of the community this were the case, then until production had accommodated itself to this change in the comparative demand for different things, there would be a real alteration in values, and some things would rise in price more than others, while some perhaps would not rise at all. These effects, however, would evidently proceed, not from the mere increase of money, but from accessory circum stances attending it We are now only called upon to consider what would be the effect of an increase of money, con sidered by itself Supposing the money in the hands of individuals to be in creased, the wants and inclinations of the community collectively in respect to consumption remaining exactly the same, the increase of demand would reach all things equally, and there would be an universal rise_of_prices We might suppose with Hume, that some morning, every person in the nation should wake and find a gold coin in his pocket this example, how ever, would involve an alteration of the proportions in the demand for different commodities, the luxuries of the poor would, in the first instance, be raised in price, in a much greater degree than other things Let us rather suppose, therefore, that to every pound, or shill ling, or penny, in the possession of any one, another pound. shilling, or penny, were suddenly added. There would be !

an increased money domand, and con sequently an increased money value, or price, for things of all sorts. This in creased value would do no good to any one, would make no difference, except that of having to reckon pounds, shillings, and pence, in higher numbers It would be an increase of values only as estimated in money, a thing only wanted to buy other things with, and would not enable any one to buy more of them than before. Prices would have fitten in a certain ratio, and the value of money would have fallen in the same ratio.

It is to be remarked that this ratio would be precisely that in which the quantity of money had been increased If the whole money in circulation was doubled, prices would be doubled. If it was only increased one-fourth, prices would rise one fourth. There would be one-fourth more money, all of which would be used to purchase goods of some description When there had been time for the increased supply of money to reach all markets, or (accord ing to the conventional metaphor) to permeate all the channels of circulation, all prices would have risen one fourth But the general rise of price is independent of this diffusing and equalizing process Even if some prices were raised more, and others less, the ave rage rise would be one-fourth a necessary consequence of the fact, that a fourth more money would have been given for only the same quantity of goods General prices, therefore, would in any case be a fourth higher

The very same effect would be produced on prices if we suppose the goods duminished, instead of the money in creased and the contrary effect if the goods were increased, or the money diminished If there were less money in the hands of the community, and the same amount of goods to be sold, less money altogether would be given for them, and they would be sold at lower prices, lower, too, in the precise ratio in which the money was diminished. So that the value of money, other things being the same, varies inversely as its quantity, every increase of quantity lowering the value, and every

diminution ruising it, in a ratio exactly) effect this object

taelavape

This, it must be observed, is a property peculiar to money We did not find it to be true of commodities generally, that every diminition of supply raised the value exactly in proportion to the deficiency, or that every increase lowered it in the precise ratio of the Some things are excess. usually iffected in a greater ratio than that of the excess or deficiency, others usually in a less because, in ordinary cases of demand, the desire, being for the thing itself, may be stronger or weaker, and the amount of what people are willing to expend on it, being in any case a limited quantity, may be affected in very unequal degrees by difficulty or facility of attainment But in the case of money, which is desired as the means of universal purchase, the demand consists of everything which people have to sell, and the only limit to what they are willing to give, is the limit set by their having nothing more The whole of the goods being in any case exclininged for the whole of the money which comes into the market to be laid out, they will sell for less or more of it, exactly according as less or more is brought

From what precedes, it might for a moment be supposed, that all the goods on sale in a country at any one time, are exchanged for all the money existing and in circulation at that same time or, in other words, that there is always in circulation in a country, a quantity of money equal in value to the whole of the goods then and there But this would be a complete misapprehension The money laid out is equal in value to the goods it pur chases, but the quantity of money laid out is not the same thing with the quantity in circulation As the money passes from hand to hand, the same piece of money is laid out many times, before all the things on sale at one time are purchased and finally removed from the market and each pound or dollar must be counted for as many pounds or dollars, as the number of times it changes hands in order to | the money in a given time, not with

The greater par of the goods must also be counted more than once, not only because most things pass through the hands of several sets of manufacturers and dealers before they assume the form in which they are finally consumed, but because in times of speculation (and all times are so, more or less) the same goods are often bought repeatedly, to be resold for a profit, before they are bought for the purpose of consumption at all

If we assume the quantity of goods on sale, and the number of times those goods are resold, to be fixed quantities, the value of money will depend upon its quantity, together with the average number of times that each piece changes The whole of the hands in the process goods sold (counting each resale of the same goods as so much added to the goods) have been exchanged for the whole of the money, multiplied by the number of purchases made on the aver age by each piece Consequently, the amount of goods and of transactions being the same, the value of money is inversely as its quantity multiplied by what is called the rapidity of circula And the quantity of money in circulation, is equal to the money value of all the goods sold, divided by the number which expresses the rapidity of t circulation.

The phrase, rapidity of circulation, 4 requires some comment. It must not; be understood to mean, the number of purchases made by each piece of money in a given time Time is not the thing to be considered The state of society may be such, that each piece of money hardly performs more than one pur chase in a year, but if this arise from the small number of transactions—from the small amount of business done, the want of activity in traffic, or because what traffic there is, mostly takes place by barter—it constitutes no reason why prices should be lower, or the value of money higher The essential point is, not how often the same money changes hands in a given time, but how often it changes hands in order to perform a! given amount of traffic We must com pare the number of purchases made by

the time itself, but with the goods sold in that same time. If each piece of money changes hands on an average ten times while goods are sold to the value of a million sterling, it is evident that the money required to circulate these goods is 100,000? And con versely, if the money in circulation is 100,000?, and each piece changes hands by the purchase of goods ten times in a month, the sales of goods for money which take place every month must amount on the average to 1,000,000?

Rapidity of circulation being a phrase to all adapted to express the only thing which it is of any importance to express by it, and having a tendency to confuse the subject by suggesting a mean ing extremely different from the one intended, it would be a good thing if the phrase could be got rid of, and another substituted, more directly significant of the idea meant to be con-Some such expression as "the efficiency of money," though not un exceptionable, would do better would point attention to the quantity of work done, without suggesting the idea of estimating it by time an appropriate term can be devised, we must be content, when ambiguity is to be apprehended, to express the idea by the circumfocution which alone conveys it adequately, namely, the average number of purchases made by each piece in order to effect a given pecu mary amount of transactions

7-§ 4 /The proposition which we have -laid down respecting the dependence ot general prices upon the quantity of r money in circulation, must be under stood as applying only to a state of things in which money, that is, gold or silver, is the exclusive instrument of exchange, and actually passes from hand to hand at every purchase, credit in any of its shapes being unknown When credit comes into play as a means of purchasing, distinct from money in hand, we shall bereafter find that the connection between prices and the amount of the circulating medium is much less direct and intimate, and that auch connexion as does exist, no longer

admits of so simple a mode of expres ? 810D But on a subject so full of com plexity as that of currency and prices, it is necessary to lay the foundation of our theory in a thorough understanding of the most simple cases, which we shall always find lying as a ground work or substratum under those which arise in practice That an increase of the quantity of money raises prices, and a diminution lowers them, is the most elementary proposition in the theory of currency, and without it we should have no key to any of the others any state of things, however, except the simple and primitive one which we have supposed, the proposition is only true other things being the same and what those other things are, which must be the same, we are not yet ready to pronounce We can, however, point out, even now, one or two of the cau tions with which the principle must be guarded in attempting to make use of it for the practical explanation of phe nomena, cautions the more indispensa ble, as the doctrine, though a scientific truth, has of late years been the foun dation of a greater mass of false theory, and erroneous interpretation of facts, than any other proposition relating to interchange. From the time of 'hei resumption of cash payments by the Act of 1819, and especially since the commercial crisis of 1825, the favourite explanation of every rise or fall of prices 1 has been "the currency," and like most popular theories, the doctrine has been applied with little regard to the conditions necessary for making it cor roct

For example, it is habitually assumed that whenever there is a greater amount of money in the country, or int existence, a rise of prices must neces-But thus is by no means sarily follow an inevitable consequence In.no com modity is it the quantity in existence, but the quantity offered for sale, that Whatever may determines the value be the quantity of money in the country, only that part of it will affect prices, which goes into the market of commodities, and is there actually exchanged against goods Whatever increases the amount of this portion of the money in

But! the country, tends to raise prices money hoarded does not act on prices Money kept in reserve by individuals to meet contingencies which do not occur, does not act on prices money in the coffers of the Bank, or retained as a reserve by private bank ers, does not act on prices until drawn out, nor even then unless drawn out to

be expended in commodities It frequently happens that money, to a considerable amount, is brought into the country, is there actually invested as capital, and again flows out, without having ever once acted upon the mar kets of commodities, but only upon the emarket of securities, or, as it is com monly though improperly called, the Let us return to the money market case already put for illustration, that of a foreigner landing in the country We supposed him to with a treasure employ his treasure in the purchase of goods for his own use, or in setting up a manufactory and employing labourers, and in either case he would, conteris But instead of paribus, raise prices doing either of these things, he might very probably prefer to invest his for tune at interest, which we shall suppose him to do in the most obvious way, by becoming a competitor for a portion of the stock, exchequer bills, railway , debentures, mercantile bills, mortgages, &c., which are at all times in the hands 'of the public By doing this he would raise the prices of those different secu ratics, or in other words would lower the rate of interest, and since this would disturb the relation previously existing between the rate of interest on capital in the country itself, and that in foreign countries, it would probably induce some of those who had floating capital serking employment, to send it abroad for foreign investment. rather than buy securities at home at the advanced price As much money might thus go out as had previously come in, while the prices of commodities would have shown no trace of its tem This is a case highly porary presence deserving of attention and it is a fact now beginning to be recognised, that the passage of the precious metals from country to country is determined much | cies, 2nd edit. pp 87-0

more than was formerly supposed, by the state of the loan market in different countries, and much less by the state

of prices Another point must be adverted to; in order to avoid serious error in the in terpretation of mercantile phenymena If there be, at any time, an increase in the number of money transactions, a thing continually hable to happen from differences in the activity of speculation, and even in the time of year (since certain kinds of business are transacted only at particular seasons), an increase of the currency which is only propor tional to this increase of transactions, and is of no longer duration, has no At the tendency to raise prices quarterly periods when the public dividends are paid at the Bank, a sud den increase takes place of the money in the hands of the public, an increase estimated at from a fifth to two-fifths of the whole issues of the Bank of Eng Yet this never has any effect on prices, and in a very few weeks, the currency has again shrunk into its usual dimensions, by a mere reduction ! in the demands of the public (after so comous a supply of ready money) for ! accommodation from the Bank in the way of discount or loan In like manner the currency of the agricultural districts fluctuates in amount at different seasons of the year. It is always low est in August "it rises generally towards Christmas, and obtains its greatest elevation about Lady-day, when the farmer commonly lays in his stock, and has to pay his rent and summer taxes," and when he therefore makes his principal applications to country bankers for loans variations occur with the same regu larity as the season, and with just as little disturbance of the markets as the quarterly fluctuations of the notes of the Bank of England. As soon as the extra payments have been completed, the superfluous" currency, which is estimated at half a million, "as certainly and immediately is reabsorbed and disappears "*

If extra currency were not forth; * Fullarton on the Regulation of Currer

erming to male these extra payments, ere of three things must happen. I after the payments must be made without money, by a reso t to some of those contriving extra parties by which its use is dispensed with or there must be an increase in the ran latvolorization, the same sum of mency being made to perform more payments, or if neither of there things took place, money to make the extra partients must be with liming from the market for commodities, and prices, consquently, must fall. An increase of the circulating medium, conformable in extent and duration to

the temporary etress of business does not raise prices, but merely prevents this fall

The sequel of our investigation will—point out many other qualifications with which the proposition must be received, that the value of the circulating medium depends on the demand and supply, and is in the inverse ratio of the quantity, qualifications which, under a complex system of credit like that existing in 1 in in gland, render the proposition an extremely incorrect expression of the fact.

CHAPTER IX

OF THE TALER OF MONTY, AS DEPENDENT ON COST OF PRODUCTION

commodities in general, has its value definitively determined by demand and supply. The ultimate regulator of its value is Cost of Production.

We are supposing, of course, that things are left to themselves. Govern ments have not always left things to themselves. They have undertaken to prevent the quantity of money from adjusting itself according to spontaneo is laws, and have endeavoured to regulate it at their pleasure, generally with a view of keeping a greater quanfity of money in the country, than would otherwise have remained there It was, until lately, the policy of all governments to interdict the exportation and the melting of maney, while, by encouraging the exportation and impeding the importation of other things, they endeavoured to have a stream of money constantly flowing in By this course they gratified two prejudices, they drew, or thought that they drew, more money into the country, which they believed to be tantamount to more wealth, and they gave, or thought they gave, to all producers and dealers, high prices, which, though no real advantage, people are always inclined to suppose to be one

In this attempt to regulate the value | to the melting pot.

of money artificially by means of the' supply, governments have never succeeded in the degree, or even in the manner which they intended prohibitions against exporting or melt ing the coin have never been effectual A commodity of such small bulk in proportion to its value is so easily! emuggled, and still more easily melted, that it has been impossible by the most stringent measures to prevent All the risk which these operations it vas in the power of governments to attach to them, was outweighed by a very moderate profit * In the more indirect mode of siming at the same purpose, by throwing difficulties in the way of making the returns for exported goods in any other commodity than money, they have not been quite so unsuccessful They have not, indeed, succeeded in making money flow con tinuously into the country, but they have to a certain extent been able to keep it at a higher than its natural

* The effect of the probibition cannot, however, have been so entirely insignificant as it has been supposed to be by writers on the subject. The facts adduced by Mr. Ful larton in the note to page 7 of his work on the Regulation of Currencies, show that it required a greater percentage of difference in value between coin and builton than has commonly been imagined, to bring the colo to the melting pot.

level, and have, thus far, removed the value of money from exclusive dependence on the causes which fix the values of things not artificially interfered with

We are, however, to suppose a state, not of artificial regulation, but of freedom. In that state, and assuming no charge to be made for comage, the value of money will conform to the value of the bullion of which it is made A pound weight of gold or silver in coin, and the same weight in an ingot, will precisely exchange for one another On the supposition of freedom, the metal cannot be worth more in the state of bullion than of coin, for as it can be melted without any loss of time, and with hardly any expense, this would of course be done, until the quantity in circulation was so much diminished as to equalize its value with that of the same weight in bullion may be thought however that the coin, though it cannot be of less, may be. and being a manufactured article will naturally be, of greater value than the bullion contained in it, on the same principle on which linen cloth is of more value than an equal weight of This would be true, were linen yarn it not that Government, in this country and in some others, coins money gratis for any one who furnishes the metal The labour and expense of comage, when not charged to the possessor, do not raise the value of the article Government opened an office where, on delivery of a given weight of yarn, it returned the same weight of cloth to any one who asked for it, cloth would be worth no more in the market than the yarn it contained. As soon as coin is worth a fraction more than the value of the bullion, it becomes the interest of the holders of bullion to send it to be coined. If Government, however, throws the expense of comage, as is reason able, upon the holder, by making a charge to cover the expense, (which is done by giving back rather less in coin than has been received in bullion, and is called levying a seignorago), the coin will rise, to the extent of the seignorage, above the value of the bullion Mint Lept back one per cent, to pay

the expense of coinnge, it would be against the interest of the holders of bullion to have it coined, until the coin was more valuable than the bullion by at least that fraction. The coin, there fore, would be kept one per cent higher in value, which could only be by keeping it one per cent less in quantity, than if its coinage were gratuatous.

The Government might attempt to obtain a profit by the transaction, and might lay on a seignorage calculated for that purpose, but whatever they took for comage beyond its expenses, would be so much profit on private! Coining, though not so easy an operation as incling, is far from a difficult one, and, when the com produced is of full weight and standard fineness, is very difficult to detect therefore, a profit could be made by coming good money, it would certainly and the attempt to make seignorage a source of revenue would be defeated Any attempt to keep the value of the com at an artificial elevation, not by a seignorage, but by refusing to coin, would be frustrated in the same manner *

§ 2 The value of money, then, conforms, permanently, and, in a state of freedom, almost immediately, to the value of the metal of which it is made with the addition, or not, of the expenses of coinage, according as those expenses are borne by the individual of by the state. This simplifies extremely the question which we have here to consider since gold and silver bullion are commodities like any others, and

* In England, though there is no seignorage on gold coin (the Mint returning in coin the same weight of pure metal which it receives in bullion) there is a delay of a few weeks after the bullion is deposited, before the coin can be obtained, occasioning a loss of interest, which, to the holder, is equivalent to a trifling seignorage From this cause, the value of coin is in general slightly above that of the bullion it contains An ounce of gold, according to he quantity of metal in a sovereign, should be worth 31 17s 104d but it was usually quoted at 31. 17s 6d, until the Bank Charter Act of 1844 made it imperative on the Bank to give its notes for all bullion offered to it at the rate of 21, 17s 20

their value depends, like that of other things, on their cost of production

To the majority of civilized countries, gold and silver are foreign products and the circumstances which govern the values of foreign products, present some questions which we are not yet ready to examine For the present, therefore, we must suppose the country which is the subject of our inquiries, to be supplied with gold and silver by its own mines, reserving for future consideration how far our conclusions require modification to adapt them to the more usual case

Of the three classes into which commodities are divided—those absolutely limited in supply, those which may be given , had in unlimited quantity at cost of production, and those which may be had in unlimited quantity, but at an increasing cost of productionthe precious metals, being the produce of mines, belong to the third class Their natural value, therefore, is in the long run proportional to their cost of production in the most uniavourable existing circumstances, that is, at tan worst mine which it is necessary to work in order to obtain the required A pound weight of gold will, supply in the gold producing countries, ulti mately tend to exchange for as much of every other commodity, as is profluced at a cost equal to its own, mean ing by its own cost the cost in labour and expense, at the least productive sources of supply which the then existing demand makes it necessary to The average value of gold is made to conform to its natural value in the same manner as the values of other things are made to conform to their Suppose that it were natural value selling above its natural value, that is, shove the value which is an equivalent for the labour and expense of mining, and for the risks attending a branch of industry in which nine out of ten expe runents have usually been failures hart of the mass of floating capital which is on the look-out for investment, would take the direction of mining enterprise, the supply would thus be increased, and the value would fall If, , no the contrary, it were selling below

its natural value, miners would not be obtaining the ordinary profit, they would slacken their works, if the de preciation was great, some of the inferior mines would perhaps stop working altogether and a falling off in the annual supply, preventing the annual wear and tear from being completely compensated, would by degrees reduce the quantity, and restore the value

When examined more closely, the following are the details of the process If gold is above its natural or cost value—the com, as we have seen, con forming in its value to the bullionmoney will be of high value, and the prices of all things, labour included, wol ed llrw These low prices will) lower the expenses_of_all_producers, but as their returns will also be lowered, no advantage will be obtained by any producer, except the producer of gold whose returns from his mine, not de pending on price, will be the same as before, and his expenses being less, he will obtain extra profits, and will be stil mulated to increase his production. The reverse is the case if the metal is below its natural value since this is as much as to say that prices are high, and the money expenses of all producers un usually great for this, however, all other producers will be compensated by increased money returns the miner alone will extract from his mine no more metal than before, while his expenses will be greater his profits therefore being diminished or annihi lated, he will diminish his production, if not abandon his employment

In this manner it is that the value [of money is made to conform to the cost of production of the metal of which It may be well, however, it is made to repeat (what has been said before) that the adjustment takes a long time to effect, in the case of a commodity so generally desired and at the same time so durable as the precious metals Being so largely used not only as money but for plate and ornament, there is at all times a very large quan tity of these metals in existence while they are so slowly worn out, that a comparatively small annual production is sufficient to keep up the supply, and

be required by the increase of goods to be circulated, or by the increased de mand for gold and silver articles by wealthy consumers. Even if this small annual supply were stopt entirely, it would require many years to reduce the quantity so much as to make any very material difference in prices The quantity may be increased, much more rapidly than it can be diminished, but the increase must be very great before it can make itself much felt over such a mass of the precious metals as exists in the whole commercial world hence the effects of all changes in the ponditions of production of the precious inetals are at first, and continue to be for many years, questions of quantity buly, with little reference to cost of production More especially is this the case when, as at the present time, many new sources of supply have been simultaneously opened, most of them practicable by labour alone, without any capital in advance beyond a pickaxe and a week s food, and when the opera tions are as yet wholly experimental, the comparative permanent productiveness of the different sources being entirely unascertained § 3 Since, however, the value of money really conforms, like that of other things, though more slowly, to its cost of production, some political econo-

to make any addition to it which may

mists have objected altogether to the - ttatement that the value of money dehends on its quantity combined with the rapidity of circulation, which, they . think is assuming a law for money that loes not exist for any other commodity, when the truth is that it is governed by the very same laws To this we may answer, in the first place, that the statement in question assumes no peculiar It is simply the law of demand and supply, which is acknowledged to be applicable to all commodities, and which in the case of money as of most other things, is controlled, but not set aside, by the law of cost of production, since cost of production would have no effect on value if it could have none on But, secondly, there really is, in one respent a closer connexion be

tween the value of money and its quantity, than between the values of other things and their quantity The value of other things conforms to the changes in the cost of production, without re quiring, as a condition, that there should be any actual alteration of the supply, the potential alteration is sufficient, and if there even be an actual altera tion, it is but a temporary one, except in so far as the altered value may make a difference in the demand, and so require an increase or diminution of supply, as a consequence, not a cause, of the alteration in value Now this is also true of gold and silver, considered as articles of expenditure for ornament and luxury, but it is not true of money If the permanent cost of production of gold were reduced one fourth, it might happen that there would not be more of it bought for plate, gilding, or jewel lery, than before, and if so, though the value would fall, the quantity extracted from the mines for these purposes would be no greater than previously Not so with the portion used as money, that portion could not fall in value onefourth, unless actually increased one fourth, for, at prices one fourth higher, one-fourth more money would be re quired to make the accustomed pur chases, and if this were not forth coming, some of the commodities would be without purchasers, and prices could not be kept up Alterations, therefore, in the cost of production of the precious metals, do not act upon the value of money except just in proportion as they increase or diminish its quantity, which cannot be said of any other commodity. It would therefore, I conceive, be an error, both scientifically and practi cally, to discard the proposition which asserts a connexion between the value of money and its quantity

It is evident, however, that the cost of production, in the long run, regulater the quantity, and that every country (temporary fluctuations excepted) will possess, and have in circulation, just that quantity of money, which will per form all the exchanges required of it, consistently with maintaining a value conformable to its cost of production. The prices of things will, on the ave-

raft, be such that in my mill exchange for its own continual other goods and, precisely because the quantity cannot be presented from anciency the value, the quantity itself will (by a sort of self-acting machinery) be kept at the amount consistent with that standerd of prices—at the amount necessary for patterning, at those prices, all the

business required of it.

The quantity winted will depend partly on the cost of producing gold, and partly on the rapidity of its circulation. The ryphity of circulation being given it would depend on the cost of production and the cost of production being given, the quantity of money would depend on the rapidity of money would depend on the rapidity of these propositions stands in need of any further illustration.

Money, then, like commodities in general, having a value dependent on, and proportional to, its cost of production the theory of money is, by the admission of this principle, stript of a great part of the mystery which apparently surrounded it. We must not for, t, however, that this doctrine only applies to the places in a high the pro-

cious metals are actually produced, and

that we have yet to enquire whether the law of the dependence of value on cost of production applies to the exchange of things produced at distant places But however this may be, our proposi tions with respect to value will require no other alteration, where money is an imported commodity, than that of substituting for the cost of its production, the cost of obtaining it in the country From foreign commodity is bought by giving for it some domestic production, and the labour and capital which a foreign commodity costs to us, is the labour and capital expended in pro ducing the quantity of our own goods which we give in exchange for it ; What this quantity depends upon,what determines the proportions of in | terchange between the productions of one country and those of another,—is indeed a question of somewhat greater complexity than those we have hitherto; considered But this at least is indis putable, that within the country itself the value of imported commodities is determined by the value, and conse quently by the cost of production, of the equivalent given for them, and money, where it is an imported coin ? modity, is subject to the same law

CHAPTLE X.

OF A DOUBLE STANDARD, AND SUBSIDIARY COINS.

\$'1 Though the qualities needs sary to fit any commodity for being used as money are rarely united in any considerable particular, there are two dominodities which possess them in an emment, and he inly an equal degree, the two precious metals, as they are called, gold and silver. Some nations have accordingly attempted to compose their circulating medium of these two metals indiscriminately.

* From some printed, but not published, Lectures of Mr Senior in which the great differences in the business done by money as well as in the rapidity of its circulation, in different states of society and civilization, are interestingly illustrated.

There is an obvious convenience in making use of the more costly metal for a larger payments, and the cheaper one for smaller and the only question relates to the mode in which this can best be done The mode most fre quently adopted has been to establish between the two metals a fixed proper tion, to decide, for example, that a gold com called a sovereign should be equiva lent to twenty of the silver coms called shillings both the one and the other being called, in the ordinary money of account of the country, by the same denomination, a pound and it being left free to every one who has a pound

to pay, either to pay it in the one metal | or in the other

At the time when the valuation of the two metals relatively to each other, say twenty shillings to the sovereign, or twenty-one shillings to the guinea, was first made, the proportion probably corresponded, as nearly as it could be made to do, with the ordinary relative values of the two metals, grounded on their cost of production, and if those natural or cost values always continued to bear the same ratio to one another, the arrangement would be unobjection This, however, is far from being Gold and silver, though the the fact least variable in value of all commodities, are not invariable, and do not always vary simultaneously for example, was lowered in permanent value more than gold, by the discovery of the American mines, and those small variations of value which take place occasionally, do not affect both metals alike Suppose such a variation to take place the value of the two metals relatively to one another no longer agreeing with their rated proportion, one or other of them will now be rated below its bullion value, and there will be a profit to be made by melting it.

Suppose, for example, that gold rises in value relatively to silver, so that the quantity of gold in a sovereign is now worth more than the quantity of silver in twenty shillings Two consequences No debtor will any longer will ensue and it his interest to pay in gold. will always pay in silver, because twenty shillings are a legal tender for a debt of one pound, and he can procure silver convertible into twenty shillings, for less gold than that contained in a sovereign The other consequence will be, that unless a sovereign can be sold for more than twenty shillings, all the sovereigns will be melted, since as bullion they will burchase a greater number of shillings than they exchange for as coin converse of all this would happen if solver, must end of gold, were the metal which had rison in comparative value A sovereign would not now be worth so much as twenty shillings, and whoever i

it by a sovereign, while the silver coins) would be collected for the purpose of being melted, and sold as bullion for gold at their real value, that is, above: the legal valuation The money of the community, therefore, would never really consist of both metals, but of the one only which, at the particular time, best suited the interest of debtors, and the standard of the currency would be constantly hable to change from the one metal to the other, at a loss, on each change, of the expense of com age on the metal which fell out of use

It appears, therefore, that the value, of money is liable to more frequent; fluctuations then both metals are a legal tender at a fixed valuation, than; when the exclusive standard of the cur rency is either gold or silver of being only affected by variations in the cost of production of one metal, it is subject to derangement from those of The particular kind of variation to which a currency is rendered more hable by having two legal standards, is a fall of value, or what is commonly called a depreciation, since practically that one of the two metals will always be the standard, of which the real has fallen below the rated value the tendency of the metals be to rise in value, all payments will be made in the one which has risen least, and if to fall, then in that which has fallen most

The plan of a double standard is still occasionally brought forward by here and there a writer or orator as a great improvement in currency probable that, with most of its adherents, its chief ment is its tendency to a sort of depreciation, there being at all times abundance of supporters for any mode, either open or covert, of lowering the standard. Some, how ever, are influenced by an exaggerated estimate of an advantage which to a certain extent is real, that of being able to have recourse, for replenishing the circulation, to the united stock of gold and silver in the commercial world, instead of being confined to one of them, nad a pound to pay would prefer paying | which, from accidental absorption, may

eye it might seem as if both D and A had the use of it at once. But the smallest consideration will show that when B has parted with his capital to A, the use of it as capital tests with A alone, and that B has no other service from it than in so far as his ultimate claim upon it serves him to obtain the use of another capital from a third person C. All capital (not his own) of which any person has really the use is, and must be, so much subtracted from the capital of some one class.

§ 2 But though credit is but a transfer of capital from hand to hand, it is generally, and naturally, a transfer to hands more competent to employ the capital efficiently in production. If there were no such thing as credit, or if, from general insecurity and want of confidence, it were scantily practised, many perfore who possess more

* To make the propositi n in the text strictly true a correction though a very slight one, requires to be made. The circu lating medium existing in a country at a given time is partly employed in purchases for productive, and partly for unproductive consumption. According as a larger proper tion of it is employed in the one way or in the other the real capital of the country is greater or less. If, then, an addition were made to the circulating medium in the hands of unproductive consumers exclusively a larger portion of the existing stock of commodities would be bought for unproductive consumption, and a smaller for productive, which state of things, while it lasted, would be equivalent to a diminution of capital And on the contrary, if the addition made be to the portion of the circulating medium which is in the hands of producers and destined for their business, a greater portion of the commodities in the country will for the present be employed as capital, and a less portion unproductively Now, an effect of this latter character naturally attends some extensions of credit, especially when taking place in the form of bank notes, or other instruments of exchange. The additional hank notes are, in ordinary course first issued to producers or dealers, to be em ployed as capital, and though the stock of commodities in the country is no greater than before, yet as a greater share of that stock now comes by purchase into the hands of producers and dealers, to that extent what would have been unproductively con sumed is applied to production, and there is a real increase of capital The effect ceases, and a counter process takes place when the additional credit is stopped and the notes called in.

or less of capital but who from them occupation in fir whit of the neevents still and knowl dge, cannot personally superintend its employment, mould dense no benefit for its their funds would cither I e fil', or would l , perhaps, wasted and annil stried in unshill il attoripts to taske them and nings. All this capital is now but; at interest, and made available feet Capital this circum stanced forms a large portion of the productive in course of any comme cial country, and is naturally stimuted to the e profes to or traders who, being in the greatest business, bare the means of employment to most edvan tage, because such are both the most derimus to chiam it and able to give the best occurity. Although then free, the productic funds of the country are f not increased by credit, they are called into a more complete state of product tive activity. As the confidence on which on dit is grounded extends it elf, means are developed by which even the smallest portions of capital, the sums which each person keeps by him to meet conting neigh, are made avail able for productive uses. The principal instruments for this purpose are lanks of deposit. Where these do not exist, a pru lent person must leep a sufferent sum unemployed in his own possession, to meet every demand which he has even a slight reason for thinking him nelf liable to When the practice, however, has grown up of keeping this reserve not in his own custock but with a banker, many small sums, pre viously lying idle, become aggregated in the banker's hands, and the barker, being taught by experience what proportion of the amount is likely to be wanted in a given time, and I nowing that if one depositor happens to require more than the average, another will require less, is able to lend the remainder, that 18, the far greater part, producers and dealers ther by adding the amount, not in leed to the capital in existence, but to that in employment, and making a corresponding addition to the aggregate production of the community

While credit is thus indispensable:

for rendering the whole capital of the country productive, it is also a means by which the industrial talent of the country is turned to better account for purposes of production. Many a person who has either no capital of his own, or very little, but who has qualifica tions for business which are known and appreciated by some possessors of ca pital, is enabled to obtain either ad vances in money, or more frequently goods on credit, by which his industrial expacities are made instrumental to the increase of the public wealth, and this benefit will be reaped far more largely, whenever, through better laws and better education, the community shall have made such progress in in tegrity, that personal character can be accepted as a sufficient guarantee not only against dishonestly appropriating, but against dishonestly risking, what

belongs to another

Such are, in the most general point of view, the uses of credit to the productive resources of the world But these considerations only apply to the credit given to the industrious classes—to producers and dealers Credit given by dealers to unproduc tive consumers is never an addition, but always a detriment, to the sources of public wealth It makes over in temporary use, not the capital of the anproductive classes to the productive, but that of the productive to the un productive If A, a dealer, supplies goods to B, a landowner or annuitant, to be paid for at the end of five years, as much of the capital of Δ as is equal to the value of these goods, remains for five years unproductive such a period, if payment had been made at once, the sum niight have been several times expended and replaced, and goods to the amount might have been several times produced, consumed, and reproduced consequently withholding 100l for five years, even if he pays at last, has cost to the labouring classes of the community during that period an absolute loss of probably several times that amount vidually, is compensated, by putting a higher price upon his goods, which is altimately paid by B but there is no compensation made to the labouring classes, the chief sufferers by every diversion of capital, whether permaneutly or temporarily, to unproductive The country has had 100l less of capital during those five years, B having taken that amount from A's capital, and spent it unproductively, in anticipation of his own means, and having only after five years set apart a sum from his income and converted it into capital for the purpose of indem nifying 1

§ 3 Thus far of the general function of Credit in production It is not a productive power in itself, though,_ without it, the productive powers already existing could not be brought into complete employment But a more intricate portion of the theory of Credit is its influence on prices, the chief cause of most of the mercantile phonomena which perplex observers In a state of commerce in which much! credit is habitually given, general! prices at any moment depend much more upon the state of credit than upon the quantity of money For credit, though it is not productive power, is purchasing power, and a person who, having credit, avails himself of it in the purchase of goods, creates just as much demand for the goods, and tends quite as much to raise their price, as' if he made an equal amount of purb chases with ready money

The credit which we are now called upon to consider, as a distinct purchasing power, independent of money, is of course not credit in its simplest form, that of money lent by one person i to another, and paid directly into his ' hands, for when the borrower expends: this in purchases, he makes the purchases with money, not credit, and exerts no purchasing power over and above that conferred by the money The forms of credit which create pur chasing power, are those in which no money passes at the time, and very often none passes at all, the transactions being included with a mass of other transactions in an account, and nothing paid but a balance takes place in a variety of ways

callich we shall proceed to examine the ginning, as is our curtem, with the

pim plest

First Suppose A and B to be two dealers, who have transactions with each other both as buyers and as A buse from P on co.dit В does the like with respect to A the end of the year, the aum of 1's debts to B is set again t the sum of Be debts to A, and it is necestained to which side a balance is die. This balance, which may be less than the amount of many of the transactions singly, and is necessarily less than the sum of the transactions, is all that is pud in money, and perhaps even this is not paid, but carried over in an account current to the next year single payment of a hundred pounds may in this manner suffice to liquidate a long sence of transactions, some of them to the value of thousands

But secondly The debts of A to B may be paid without the intervention of money, even though there be no reciprocal debts of B to A A may eatisfy B by making over to him a debt due to himself from a third person C This is conveniently done by means of a written instrument, called a full of exchange, which is, in fact, a transfer able order by a creditor upon his delitor. and when accepted by the debtor, that is, authenticated by his riginiture, becomes an acknowledgment of debt

§ 4 Bills of exchange were first in troduced to save the expense and risk of transporting the precious metals "Let it be supfrom place to place posed," says Mr Henry Thornton,* "that there are in London ten manufacturers who sell their article to ten shopkeepers in York, by whom it is retailed. and that there are in York ten manu facturers of another commodity, who sell it to ten shopheepers in London There would be no occasion for the ten shopkcepers in London to send yearly

to lok guides for the parment of the York manufacturers and for the ten York on all opers to read searly as mens pour as to London. It would will be recee ary for the York manufucturers to receive from each of the shopletjers at their own door the tioner in greation graing in return letters which should nelse dealed the r ceipt of it, and which should also direct the riorey, lying ready in the hands of their debtors in London, to le pud to the London manufacturers, ro as to cancel the delit in Lordon in the same manner as that at York expense and the risk of all trensmission of morey would thus be saved. Letters ordering the transfer of the debt are termed, in the language of the present day, tally of exchange. They are talls ly which the debt of one person is exchange I for the debt of another, and the debt, perhaps, which is due in one place, for the d bt due in another " Pills of xchange having been found

convenient as means of paving debta at distant places without the expense of transporting the precious metals their use was offerwards greatly extended It is usual in ' from another motive every trade to give a certain length of credit for goods bought three months six mouths, a year, even two years, according to the convenience or custom of the particular trade A dealer who has sold goods, for which he is to be prid in Fix months, but who desires to receive payment sooner, draws a bill' on his debtor payable in six months, and gets the bill discounted by a bant er or other money lender, that is, transfers the bill to him, receiving the amount, minus interest for the time it has still It has become one of the chief' functions of bills of exchange to serve as a means by which a debt due from one person can thus be made available for obtaining credit from another. The convenience of the expedient has led to the frequent creation of bills of or change not grounded on any debt previously due to the drawer of the bill by the person on whom it is drawn. These are called accommodation bills, and sometimes, with a tinge of disapproba tion, fictitious bills Their nature is so

^{*} Enquiry into the Nature and Effects of the Paper Credit of Great Britain, p 21 This work, published in 1802, is even now the clearest exposition that I am acquainted with, in the Linglish language of the modes in which credit is given and taken in a mer cantile community

clearly stated, and with such judicious remarks, by the author whom I have just quoted, that I shall transcribe the

entire passage ~

"A, being in want of 1001, requests B to accept a note or bill drawn at two months, which B, therefore, on the face of it, is bound to pay, it is understood, however, that A will take care either to discharge the bill himself, or to furnish B with the means of paying it obtains ready money for the bill on the joint credit of the two parties fils his promise of paying it when due, and thus concludes the transaction This service rendered by B to A 18, however, not unlikely to be requited. at a more or less distant period, by a similar acceptance of a bill on A, drawn and discounted for B's convenience

"Let us now compare such a bill with a real bill Let us consider in what points they differ or seem to differ, and in what they agree

"They agree, masmuch as each is a ¹ discountable article, each has also been created for the purpose of being discounted, and each is, perhaps, discounted in fact. Each, therefore, serves equally to supply means of speculation to the merchant. So far, moreover, as bills and notes constitute what is called the circulating medium, or paper currency of the country, and prevent the use of guineas, the fictitious and the real bill are upon an equality, and if the price of commodities be raised in proportion to the quantity of paper currency, the one contributes to that rise exactly in the same manner as the other

"Before we come to the points in which they differ, let us advert to one point in which they are commonly supposed to be unlike, but in which they cannot be said always or necessarily to

"Real notes (it is sometimes said) represent actual property. There are actual goods in existence, which are the counterpart to every real note. Notes which are not drawn in consequence of a sale of goods, are a species of false wealth, by which a nation is deceived

These supply only an imaginary capital, the others indicate one that is real

"In answer to this statement it may be observed, first, that the notes given in consequence of a real sale of goods cannot be considered as on that account certainly representing any actual property Suppose that A sells 100l worth of goods to B at six months credit, and takes a bill at six months for it, and that B. within a month after, sells the same goods, at a like credit, to C, taking a like bill, and again, that C, after another month, sells them to D, taking a like bill, and so on There may then, at the end of six months, be six bills of 100l each, existing at the same time. and every one of these may possibly have been discounted Of all these bills, then, only one represents any i

actual property

"In order to justify the supposition that a real bill (as it is called) repre! sents actual property, there ought to be; some power in the bill holder to prevent the property which the bill represents, from being turned to other purposes than that of paying the bill in question No such power exists, neither the man who holds the real bill, nor the man who discounts it, has any property in the specific goods for which it was given he as much trusts to the general ability to pay of the giver of the bill, as the holder of any fictitious bill does The fictitious bill may, in many cases, be a bill given by a person having a large and known capital, a part of which the fictitious bill may be said in that case to represent The supposition that real bills represent property, and that fictitious bille lo not, seems, therefore, to be one by which more than justice is done to one of these species of bills, and something less than justice to the other

"We come next to some points in

which they differ

"First, the fictitious note, or note of accommodation, is liable to the objection that it professes to be what it is not This objection, however, hes only against those fictitious bills which are passed as real. In many cases, it is sufficiently obvious what they are Secondly, the fictitious bill is, in general

ral, less likely to be punctually paid There is a general than the real one presumption, that the dealer in fictitious bills is a man who is a more adven turous speculator than he who carefully abstains from them It follows, thirdly, that fictitions bills, besides being less safe, are less subject to limitation as to The extent of a man's their quantity actual sales forms some limit to the amount of his real notes, and as it is highly desirable in commerce that credit should be dealt out to all persons in some sort of regular and due proportion, the measure of a man's actual sales, certified by the appear ance of his bills drawn in virtue of those sales, is some rule in the case, though a very imperfect one in many respects

"A fictitious bill, or bill of accom modation, is evidently, in substance, the same as any common promissory note, and even better in this respect, that there is but one security to the promissory note, whereas in the case of the bill of accommodation there are So much jealousy subsists lest traders should push their means of raising money too far, that paper, the same in its general nature with that which is given, being the only paper which can be given, by men out of business, is deemed somewhat discreditable when coming from a merchant And because such paper, when in the merchant's hand, necessarily imitates the paper which passes on the occasion of a sale of goods, the epithet fictitious has been cast upon it, an epithet which has seemed to countenance the confused and mistaken notion, that there is something altogether false and delusive in the nature of a certain part both of the paper and of the apparent wealth of the country "

A bill of exchange, when merely discounted, and kept in the portfolio of the discounter until it falls due, does not perform the functions or supply the place of money, but is itself bought and sold for money. It is no more currency than the public funds, or any other securities. But when a bill drawn upon one person is paid to another (or even to the same person) in discharge

of a debt or a pecuniary claim, it does I something for which, if the bill did not h exist, money would be required performs the functions of currency () This is a use to which bills of exchange are often applied. "They not only, continues Mr Thornton, " spare the use of ready money, they also occupy Let us its place in many cases imagine a farmer in the country to discharge a debt of 101 to his neighbour ing grocer, by giving him a bill for that sum, drawn on his cornfactor in Loudon for grain sold in the metropolis, and the grocer to transmit the bill, he having previously indorsed it, to a neighbouring sugar baker, in discharge of a like debt, and the sugar baker to send it, when again indorsed, to a West India merchant in an ontport, and the West India merchant to deliver it to his country banker, who also indorses it, and sends it into further The bill in this case will circulation have effected five payments, exactly as if it were a 10l note payable to bearer on demand. A multitude of bills pass ! between trader and trader in country, in the manner which has been described, and they evidently form, in the strictest sense, a part of the circu lating medium of the kingdom"

Many bills, both domestic and foreign, are at last presented for pay ment quite covered with indorsements, each of which represents either a fresh discounting, or a pecuniary transaction in which the bill has performed the functions of money. Within the profesent generation, the circulating medium of Lancashire for sums above five pounds, was almost entirely composed of such bills.

§ 5 A third form in which credit is employed as a substitute for cur rency, is that of promissory notes. A bill drawn upon any one and accepted by him, and a note of hand by him, promising to pay the same sum, are, as far as he is concerned, exactly equivablent, except that the former commonly bears interest and the latter generally does not, and that the former is commonly payable only after a certain

* P 40.

lapse of time, and the latter payable at sight But it is chiefly in the latter form that it has become, in commercial countries, an express occupation to issue such substitutes for money Dealers in money (as lenders by protession are improperly called) desire, like other dealers, to stretch their operations beyond what can be carried on by their own means they wish to end, not their capital merely, but their credit, and not only such portion of their credit as consists of funds actually deposited with them, but their power of obtaining credit from the public generally, so far as they think they can safely employ it This is done in a very convenient manner by lending their own promissory notes payable to bearer on demand 'the borrower being willing to accept these as so much money, because the credit of the lender makes other people willingly receive them on the same footing, in purchases or other payments These notes, therefore, perform all the functions of currency, and render an equivalent amount of money which was previously in cir-As, however, culation, unnecessary being payable on demand, they may be at any time returned on the issuer, and money demanded for them, he must, on pain of bankruptcy, keep by him as much money as will enable him to meet any claims of that sort which can be expected to occur within the time necessary for providing himself with more and prudence also requires that he should not attempt to issue notes beyond the amount which experience shows can remain in circulation without being presented for payment

The convenience of this mode of (as it were) coming credit, having once been discovered, governments have availed themselves of the same expedient, and have issued their own promissory notes in payment of their expenses, a resource the more useful, because it is the only mode in which they are able to borrow money without paying interest, their promises to pay on demand being, in the estimation of the holders, equivalent to money in hand. The practical differences be-

tween such government notes and the issues of private bankers, and the further diversities of which this class of substitutes for money are susceptible, will be considered presently

A fourth mode of making credit answer the purposes of money, by which, when carried far enough, money may be very completely superseded, consists in making payments by cheques The custom of keeping the spare cash reserved for immediate use or against contingent demands, in the hands of a banker, and making all payments, except small ones, orders on bankers, is in this country spreading to a continually larger por tion of the public If the person making the payment, and the person receiving it, keep their money with the same banker, the payment takes place without any intervention money, by the mere transfer of its amount in the banker's books from the credit of the payer to that of the re If all persons in London kept their cash at the same banker's, and made all their payments by means of cheques, no money would be required or used for any transactions beginning and terminating in London This ideal limit is almost attained in fact, so far as regards transactions between dealers. It is chiefly in the retail transactions between dealers and consumers, and in the payment of wages, that money or bank notes now pass, and then only when the amounts are small London, even shopkeepers of any amount of capital or extent of business / have generally an account with a banker, which, besides the safety and convenience of the practice, is to their advantage in another respect, by giving ; them an understood claim to have their bills discounted in cases when they could not otherwise expect it As for the merchants and larger dealers, they habitually make all payments in the course of their business by cheques. They do not, however, all deal with the same banker, and when A gives a cheque to B, B usually pays it not into the same but into some other But the convenience of hum

ness has given birth to an arrangement which makes all the banking houses of the City of London, for certain pur poses, virtually one establishment banker does not send the cheques which are paid into his banking house, to the banks on which they are drawn, and demand money for them is a building called the Clearing house, to which every City banker sends, each afternoon, all the cheques on other bankers which he has received during the day, and they are there exchanged for the cheques on him which have come into the hands of other bankers, the balances only being paid in money, or even these not in money, but in cheques on the Bank of England. this contrivance, all the business trans actions of the City of London during that day, amounting often to millions of pounds, and a vast amount besides of country transactions, represented by bills which country bankers have

drawn upon their London correspondents, are liquidated by payments not exceeding on the average 200,000?

By means of the various instrumental of credit which have now been ex, plained, the immense business of a country like Great Britain is transacted with an amount of the precious metals surprisingly small, many times smaller, in proportion to the pecuniary value of the commodities bought and sold, than is found necessary in France, or any other country in which, the habit and the disposition to give credit not being so generally diffused, these "economizing expedients," as they have been called, are not practised to What becomes of the same extent the money thus superseded in its functions, and by what process it is made to disappear from circulation, questions the discussion of which must be for a short time postponed

CHAPTER XIL

INPLUFNCE OF CREDIT ON PRICES

HAVING now formed a general | idea of the modes in which credit is made available as a substitute for money, we have to consider in what manner the use of these substitutes affects the value of money, or, what is equivalent, the prices of commodities It is hardly necessary to say that the permanent value of money—the natural and average prices of commoditiesare not in question here. These are determined by the cost of producing or tof obtaining the precious metals onnce of gold or silver will in the long run exchange for as much of every other commodity, as can be produced or imported at the same cost with itself. And an order, or note of hand, or bill payable at sight, for an ounce of gold, while the credit of the giver is unimpaired, is worth neither more nor - less than the gold itself

It is not, however, with ultimate or

average, but with immediate and temporary prices, that we are now concerned. These, as we have seen, may deviate very widely from the standard of cost of production. Among other causes of fluctuation, one we have found to be, the quantity of money in circulation. Other things being the same, an increase of the money in circulation raises prices, a diminution lowers them. If more money is thrown into circulation than the quantity which can circulate at a value con

* According to Mr Tooke (Enquiry intethe Currency Principle, p. 27) the adjustmer is
at the clearing house "in the year 1833
amounted to 954 401,0001, making an average amount of payments of upwards of
3 000 0001 of bills of exchange and cheques
dally effected through the medium of little
more than 200,0001 of bank notes" At present a very much greater amount of trans
actions is daily ilquidated, without bank
notes at all, cheques on the Bank of
England supplying their place

formable to its cost of production, the value of money, so long as the excess lasts, will remain below the standard of cost of production, and general prices will be sustained above the natural rate.

But we have now found that there are other things, such as bank notes, Lills of exchange, and cheques, which circulate as money, and perform all functions of it and the question arises. Do these various substitutes operate on prices in the same manner as money itself? Does an increase in the quantity of transfirable paper tend to ruse prices, in the same manner and degree as an increase in the quantity of money? There has been no small amount of discussion on this point among writers on currency, without any result so conclusive as to have yet obtained general as ent

I apprehend that bank notes, bills, or chaques, as such, do not act on prices at all. What does act on prices is Credit, in whatever shape given, and whether it gives rise to any transferable instruments capable of passing

into circulation or not

I proceed to explain and substantiate this opinion

Money acts upon prices in no other way than by being tendered in exchange for commodities The demand which influences the prices of commodities consists of the money offered for them But the money offered, is not the same thing with the money possessed. It is sometimes less, sometimes very much more In the long run indeed the money which people lay out will be neither more nor less than the money which they have to lay out but this is far from being the case at any given time Sometimes they keep money by them for fear of an emergency, or in expectation of a more advantageous opportunity for In that case the money expending it is said not to be in circulation plainer language, it is not offered, nor about to be offered, for commodities Money not in circulation has no effect on prices The converse, however, 18 a much commoner case, people make !

purchases with money not in their possession An article, for instance, which is paid for by a cheque on a banker, is bought with money which not only is not in the payer's posses sion, but generally not even in the banker's, having been lent by him (all but the usual reserve) to other persons We just now made the imaginary sup } position that all persons dealt with a bank, and all with the same bank, payments being universally made by In this ideal case, there cheques would be no money anywhere except in the hands of the binker, who might then safely part with all of it, by sell ing it as bullion, or lending it, to be ent out of the country in exchange for goods or foreign securities though there would then be no money in possession, or ultimately perhaps even in existence, money would be offered, and commodities bought with it, just as at present People would continue to reckon their incomes and their capitals in money, and to make their usual purchases with orders for the receipt of a thing which would have literally ceased to exist would be in all this nothing to com plain of, so long as the money, in dis appearing, left an equivalent value in other things, applicable when required to the reimbursement of those to whom the money originally belonged.

In the case however of payment by cheques, the purchases are at any rate made, though not with money in the buyer's possession, yet with money to: which he has a right. But he may male purchases with money which he only expects to have, or even only pretends to expect. He may obtain . goods in return for his acceptances payable at a future time, or on his note of hand, or on a simple book credit, that is, on a more promise to pay All these purchases have exactly the same effect on price, as if they were made with ready money amount of purchasing power which a person can exercise is composed of all the money in his possession or due to him, and of all his credit For exer oising the whole of this power he finds a sufficient motive only under peculiar

circumstances, but he always possesses it, and the portion of it which he at any time does exercise, is the measure of the effect which he produces on price

on price Suppose that, in the expectation that some commodity will rise in price, he determines, not only to invest in it all his ready money, but to take up on credit, from the producers or importers, as much of it as their opinion of his resources will enable him to obtain Every one must see that by thus acting he produces a greater effect on price, than if he limited his purchases to the money he has actually in hand creates a demand for the article to the full amount of his money and credit taken together, and raises the price proportionally to both. And this effect is produced, though none of the written instruments called substitutes for cur rence may be called into existence, though the transaction may give rise to no bill of exchange, nor to the issue of a single bank note The buyer, instead of taking a mere book credit, might have given a bill for the amount, or might have paid for the goods with bank notes borrowed for that purpose from a banker, thus making the pur chase not on his own credit with the seller, but on the banker's credit with the seller, and his own with the banker Had he done so, he would have produced as great an effect on price as by a simple purchase to the same amount on a book credit, but no greater effect The credit itself, not the form and mode in which it is given, is the operating cause

\$ 3 The inclination of the mercan tile public to increase their demand for commodities by making use of all or much of their credit as a purchasing tower, depends on their expectation of profit. When there is a general impression that the price of some commodity is likely to rise, from an extra demand, a short crop, obstructions to importation, or any other cause, there is a disposition among dealers to increase their stocks, in order to profit by the expected rise. This disposition the follower their prices. The vacuum might because the community of circulation, and in the markets for those articles, and the commodities, and the class of commodities are their prices.

which it looks forward to, a rise of it price and if the rise is considerable and progressive, other speculators are attracted, who, so long as the price has, not begun to fall, are willing to believe that it will continue rising These, by further purchases, produce a further advance and thus a rise of price for which there were originally some rational grounds, is often heightened by merely speculative purchases, until it greatly exceeds what the original grounds will justify After a time this begins to be perceived, the pince ceases to rise, and the holders, think ing it time to realize their gains, are anxious to sell 'Then the price begins to decline the holders rush into the market to avoid a still greater loss, and, few being willing to buy in a falling market, the price falls much more suddenly than it rose Those who have bought at a higher price than reasonable calculation justified, and who have been overtaken by the revulsion before they had realized, are losers in proportion to the greatness of the fall, and to the quantity of the commodity which they hold, or have bound themselves to pay for

Now all these effects might take place in a community to which credit was unknown the prices of some commodities might rise from speculation. to an extravagant height, and then fall rapidly back. But if there were no such thing as credit, this could hardly happen with respect to commodifies generally If all purchases were made with ready money, the payment of increased prices for some articles would draw an unusual proportion of the money of the community into the markets for those articles, and must therefore draw it away from some other class of commodities, and thus lower their prices The vacuum might it is true, be partly filled up by increased rapidity of circulation, and in this manner the money of the community is virtually increased in a time of spe culative activity, because people Leep httle of it by them, but hasten to lay it out in some tempting adventure as soon as possible after they receive it

she whole, people cannot, while the quantity of money remains the same, lay out much more of it in some things, without laving out less in others what they extinct do by ready money, they can do by an extension of credit When people go into the market and purchase with money which they lope to receive hirerflier, thei are driving uron an unlimited, not a limited fund Speculation, thus supported, may be going on in any number of commoditics, without disturbing the regulacours of business in others. It might even be going on in all commodities at We could imagine that in an epidemic fit of the passion of gambling, all dealers, instead of giving only their encustomed orders to the manufacturers or growers of their commodity, commenced buying ip all of it which they could procure, as for as their capital and credit would go. All prices would rise enormously, even if there were no increase of money, and no paper credit, but a mere extension of purchases on book credits After a time those who had bought would wish to sell, and prices would collapse

This is the ideal extreme case of what is called a commercial ensis There is said to be a commercial crisis, when a great number of merchants and traders at once, either have, or approhend that they shall have, a difficulty in meeting their engagements most usual cause of this general em barrassment, is the recoil of prices after they have been raised by a spirit of speculation, intense in degree, and extending to many commodities. Some accident, which excites expectations of rising prices, such as the opening of a new foreign market, or simultaneous indications of a short supply of soveral great articles of commerce, sets specii lation at work in several leading do partments at once The prices rise, and the holders realize, or appear to have the power of realizing, great In certain states of the public mind, such examples of rapid increase of fortune call forth numerous unitators, and speculition not only goes much beyond what is justified by the original grounds for expecting rise of

price, but extends itself to articles in which there never was any such ground these, however, use like the rest as soon as speculation sets in At periods of this kind, a great extension of credit takes place Not only do all whom the contagion reaches, employ their credit much more freely than usual but they really have more credit, because they seem to be making unusual gains, and because a generally reckless and adventurous feeling prevails, which disposes people to give as well as take credit more largely than at other times. and give it to persons not entitled to In this manner, in the celebrated speculative year 1825, and at various other periods during the present century, the prices of many of the principal articles of commerce rose greatly, with out any fall in others, so that general prices might, without incorrectness, be said to have risen When, after such a rise, the reaction comes, and prices begin to fall, though at first perhaps only through the desire of the holders to realize, speculative purchases cease but were thus all, prices would only fall to the level from which they rose, or to that which is justified by the state of the consumption and of the supply They fall, however, much lower, for as, when prices were rising, and every body apparently making a fortune, it was easy to obtain almost any amount of credit, so now, when everybody seems to be losing, and many fail on tirely, it is with difficulty that firms of known solidity can obtain even the credit to which they are accustomed, and which it is the greatest inconvemence to them to be without, because all dealers have engagements to fulfil and nobody feeling sure that the por tion of his means which he has on trusted to others will be available in time, no one likes to part with ready money, or to postpone his claim to it To these rational considerations there is superadded, in extreme cases, a panic as unreasoning as the previous over-confidence, money is borrowed for short periods at almost any rate of in terest, and sales of goods for immediate payment are made at almost any sacri hee Thus general prices, during a con-

320 mercial revulsion, fall as much below the usual level, as during the previous period of speculation they have risen above it the fall, as well as the rise, originating not in anything affecting money, but in the state of credit, an unusually extended employment of credit during the earlier period, followed by a great diminution, never amounting however to an entire cessation of it, in the later It is not, however, universally true | I that the contraction of credit, characteristic of a commercial crisis, must There and irrational extension of it. are other causes, and one of the most recent crises, that of 1847, is an in stance, having been preceded by no l particular extension of credit, and by no speculations, except those in rail way shares, which, though in many cases extravagant enough, yet being carried on mostly with that portion of means which the speculators could afford to lose, were not calculated to produce the wide spread ruin which arises from vicissitudes of price in the commodi ties in which men habitually deal, and in which the bulk of their capital is invested The crisis of 1847, belonged to another class of mercantile pheno-There occasionally happens a concurrence of circumstances tending to withdraw from the loan market a considerable portion of the capital which usually supplies it These circumstances, in the present case, were great foreign payments, (occasioned by | a high price of cotton and an unpre cedented importation of food,) together with the continual demands on the circulating capital of the country by rail way calls and the loan transactions of railway companies, for the purpose of being converted into fixed capital and made unavailable for future lending These various demands fell princi pally, as such demands always do, on the loan market. A great, though not the greatest part of the imported food, was actually paid for by the proceeds of a government loan The extra pay

ments which purchasers of corn and

cotton, and railway shareholders, found

themselves obliged to make, were either |

made with their own spare cash, or with money raised for the occasion On thet first supposition, they were made by withdrawing deposits from bankers, and thus cutting off a part of the streams which fed the loan market, on the second supposition, they were made by actual drafts on the loan market, either by the sale of securities, or by taking up money at interest This combination of a fresh demand for loans, with a curtailment of the capital disposable for them, raised the rate of interest, and made it impossible to have been preceded by an extraordinary | borrow except on the very best se-Some firms, therefore, which, curity by an improvident and unmercantile mode of conducting business had al lowed their capital to become either temporarily or permanently unavail able, became unable to command that perpetual renewal of credit which had previously enabled them to struggle These firms stopped payment their failure involved more or less deeply many other firms which had trusted them, and, as usual in such cases, the general distrust, commonly called a panic, began to set in, and might have produced a destruction of credit equal to that of 1825, had not circumstances which may almost be called accidental, given to a very simple measure of the government (the suspension of the Bank Charter Act of 1844) a fortunate power of allaying panic, to which, when con sidered in itself, it had no sort of claim *

> § 4. The general operation of credit upon prices being such as we have described, it is evident that if any par ticular mode or form of credit is cal culated to have a greater operation on prices than others, it can only be by giving greater facility, or greater encouragement, to the multiplication of

 The commercial difficulties, not how ever amounting to a commercial crisis, of 1864, had essentially the same origin, Heavy payments for cotton imported at high prices, and large investments in banking and other joint-stock projects, combined with the loan operations of foreign governments, made such large drafts upon the losn market as to raise the rate of discount on mercantile bills as high as nine per cent.

credit transactions generally If bank ! notes, for instance, or bills, have a greater effect on prices than book credits, it is not by any difference in the transactions themselves, which are essentially the same, whether taking place in the one way or in the other it must be that there are likely to be more of them. If credit is likely to be more extensively used as a purchasing power when bank notes or bills are the instruments used, than when the credit is given by mere entries in an account, to that extent and no more there is ground for ascribing to the former a greater power over the markets than belongs to the latter

Now it appears that there is some such distinction. As far as respects the particular transaction, it makes no difference in the effect on price whether A buys goods of B on simple credit, or gives a bill for them, or pays for them with bank notes lent to him by a banker The difference is in a subsequent If A has bought the goods on a book credit, there is no obvious or convenient mode by which B can make A's debt to him a means of extending his own credit. Whatever credit he has, will be due to the general opinion entertained of his solvency he cannot specifically pledge A's debt to a third person, as a security for money lent or goods bought But if A has given him a bill for the amount, he can get this discounted, which is the same thing as borrowing money on the joint credit of A and himself or he may pay away the bill in exchange for goods, which is obtaining goods on the same joint credit In either case, here is a second credit transaction, grounded on the first, and which would not have taken place if the first had been transacted without the intervention of a bill nced the transactions end here bill may be again discounted, or again paid away for goods, several times before it is itself presented for payment Nor would it be correct to say that these successive holders, if they had not had the bill, might have attained their purpose by purchasing goods on their own credit with the dealers

They may not all of them be persons of credit, or they may already have stretched their credit as far as it will go And at all events, either money or goods are more readily obtained on the credit of two persons than of one Nobody will pretend that it is as easy a thing for a merchant to borrow a thousand pounds on his own credit, as to get a bill discounted to the same amount, when the drawee is of known solvency

If we now suppose that A, instead of d giving a bill, obtains a loan of bank notes from a banker C, and with them; pays B for his goods, we shall find the difference to be still greater B is now independent even of a discounter bill would have been taken in payment only by those who were acquainted with his reputation for solvency, but a banker is a person who has credit with the public generally, and whose notes are taken in payment by every one, at least in his own neighbourhood insomuch that, by a custom which has grown into law, payment in bank notes is a complete acquittance to the payer, whereas if he has paid by a bill, he still remains liable to the debt, if the person on whom the bill is drawn fails to pay it when due B therefore can expend the whole of the bank notes without at all involving his own credit and whatever power he had before of obtaining goods on book credit, remains to him unimpaired, in addition to the purchasing power he derives from the possession of the notes The same remark applies to every person in succession, into whose hands the notes may come It is only A, the first holder, (who used his credit to obtain the notes as a loan from the issuer.) who can possibly find the credit he possesses in other quarters abated by it, and even in his case that result is not probable, for though, in reason, and if all his circumstances were known, every draft already made upon his credit ought to diminish by so much his power of obtaining more, yet in practice the reverse more frequently happens, and his having been trusted by one person is supposed to be evidence that he may saiely be trusted by others also

It appears, therefore that bank notes are a more powerful instrument for raising prices than bills, and bills It does not, indeed, than book credit. follow that credit will be more used because it can be When the state of trade holds out no particular tempta tion to make large purchases on credit, dealers will use only a small portion of the credit power, and it will depend only on convenience whether the portion which they use will be taken in one form or in another It is not until the circumstances of the markets, and the state of the mercantile mind, render many persons desirous of stretching their credit to an unusual extent, that the distinctive properties of the dif ferent forms of credit display them Credit already stretched to the utmost in the form of book debts, would be susceptible of a great addi tional extension by means of bills, and of a still greater by means of bank The first, because each dealer, in addition to his own credit, would be enabled to create a further purchasing power out of the credit which he had himself given to others the second, because the banker's credit with the public at large, coined into notes, as bullion is coined into pieces of money to make it portable and divisible, is so much purchasing power superadded, in the hands of every successive holder. to that which he may derive from his own credit To state the matter otherwise, one single exertion of the creditpower in the form of book credit, is only the foundation of a single purbut if a bill is drawn, that same portion of credit may serve for as many purchases as the number of times the bill changes hands while every bank note assued, renders the credit of the banker a purchasing power to that amount in the hands of all the successive holders, without im pairing any power they may possess of electing purchases on their own credit Credit, in short, has exactly the same purchasing power with money, and as money tells upon prices not simply in proportion to its amount, but to its amount multiplied by the number of times it changes hands, so also does

credit, and credit transferable from hand to hand is in that proportion? more potent than credit which only performs one purchase

§ 5 All this purchasing power, however, is operative upon prices, only according to the proportion of it which's 18 used and the effect, therefore, 18 only felt in a state of circumstances, calculated to lead to an unusually extended use of credit In such a state; of circumstances, that is, in speculative times, it cannot, I think, be demed, that prices are likely to rise higher if; the speculative purchases are made with bank notes, than when they are made with bills, and when made by bills than when made by book credits. This, however, is of far less practical importance than might at first be imagined, because, in point of fact, speculative purchases are not in the great majority of cases, made either with bank notes or with bills, but are made almost exclusively on book credits "Applications to the Bank for extended discount," says the highest authority on such subjects, ' (and the same thing must be true of applications to other banks) "occur rarely if ever in the origin or progress of extensive speculations in commodities These are entered into, for the most part if not entirely, in the first instance, on credit for the length of term usual in the geveral trades, thus entailing on the parties no immediate necessity for borrowing so much as may be wanted for the purpose beyond their own available capital. This applies particularly to speculative purchases of commodities on the spot, with a view to resale But these generally form the smaller proportion of engagements on credit far the largest of those entered into on the prospect of a rise of prices, are such as have in view importations from The same remark, too, 18 apabroad. plicable to the export of commodities, when a large proportion is on the credit of the shippers or their consignees As long as circumstances hold out the prospect of a favourable result, the

* Tooke's History of Prices, vol iv pp 125-6,

credit of the parties is generally sustained If some of them wish to realize, there are others with capital and credit re As to replace them, and if the events fully justify the grounds on which the speculative transactions were entered into (thus admitting of sales for consumption in time to replace the capital embarked) there is no unusual demand for borrowed capital to sustain them It is only when by the vici-situdes of political events, or of the seasons, or other adventitions circumstances, the forthcoming supplies are found to excced the computed rate of consumption, and a fall of prices ensure, that an increased demand for capital takes place, the market rate of interest then rises, and increased applications are made to the Bauk of Ingland for discount" So that the multiplication of bank notes and other transferible paper does not, for the most part, accompany and facilitate the speculation, but comes into play chiefly when the I tide is turning, and difficulties begin to be felt.

Of the extraordinary height to which speculative transactions can be carried upon mere book credits, without the smallest addition to what is commonly called the currency, very few persons are at all aware "The power of purchase," says Mr Tooke,* "by persons having capital and credit, is much beyond anything that those who are unacquainted practically with speculative markets have any idea of

A person having the reputation of capital enough for his regular business, and enjoying good credit in his trade, if he takes a sanguine view of the prospect of a rise of price of the article in which he deals, and is favoured by circumstances in the outset and progress of his speculation, may effect purchases to an extent perfectly enormous, compared with his capital." Mr Tooke confirms this statement by some remarkable instances, exemplifying the numenso purchasing power which may be exercised, and rise of price which may be produced, by credit not repre-

sented by onther bank notes or bills of exchange

"Amongst the earlier speculators; for an advance in the price of tea, in consequence of our dispute with China in 1849, were several retail grocers and There was a general dis-Ted-dealers position among the trade to get into stock that is, to lay in at once a quan tity which would meet the probable demand from their customers for seve ral months to come Some, however. among them, more sanguine and ad venturous than the rest, availed them selves of their credit with the importers and wholevale dealers, for purchasing quantities much beyond the estimated demand in their own business purchases were made in the first instance ostensibly, and perhaps really, for the legitimate purposes and within the limits of their regular business, the parties were enabled to buy without the condition of any deposit, whereas speculators, known to be such, are required to pay 21 per chest, to cover any probable difference of price which might arise before the expiration of the prompt, which, for this article, is three months Without, therefore, the outlay of a single farthing of actual capital or currency in any shape, they made purchases to a considerable extent, and with the profit realized on the resale of a part of these purchases, they were enabled to pay the deposit on further quantities when required, as was the case when the extent of the purchases attracted attention In this way, the speculation went on at advancing prices (100 per cent and upwards) till nearly the expiration of the prompt, and if at that time circumstances had been such as to justify the appreheumon which at one time prevailed, that all future supplies would be cut off, the prices might have still further advanced, and at any rate not have retrograded In this case, the speculators might have realized, if not all the profit they had anticipated, a very handsome sum, upon which they might have been enabled to extend their business greatly, or to retire from it altogether, with a reputation for great sagacity in thus making their fortune

^{*} Inquiry into the Currency Principle, pp 79 and 136-8,

But, instead of this favourable result, it deed, so far as bank notes are concerned, so happened that two or three cargoes hardly ever takes place in the earliest of ten which had been transhipped were admitted, contrary to expectation, to entry on their arrival here, and it was found that further indirect ship-Thus the ments were in progress cupply was increased beyond the calculation of the speculators and at the same time, the consumption had been diminished by the high price was, consequently, a violent reaction on the market, the speculators were unable to sell without such a sacrifice as disabled them from fulfilling their engagements, and several of them con sequently failed Among these, one was mentioned, who having a capital not exceeding 1200l, which was locked up in his business, had contrived to buy 4000 chests, value above 80,000l. the loss upon which was about 16,000l "The other example which I have to give, is that of the operation on the corn market between 1838 and 1842 There was an instance of a person who, when he entered on his extensive speculations, was, as it appeared by the subsequent examination of his affairs. possessed of a capital not exceeding 5000l, but being successful in the outset, and favoured by circumstances in the progress of his operations, he con trived to make purchases to such an extent, that when he stopped payment his engagements were found to amount

"And be it observed, that these speculations, involving enormous purchases on little or no capital, were carried on in 1839 and 1840, when the money market was in its most con tracted state, or when, according to modern phraseology, there was the

to between 500,000l and 600,000l

Other instances might be cited of

parties without any capital at all, who.

by dust of more credit, were enabled while the aspect of the market favoured

their views, to make purchases to a

very great extent.

greatest scarcity of money" But though the great instrument of

speculative purchases is book credits, it cannot be contested that in speculative periods an increase does take place in the quantity both of bills of exchange

and of bank notes

from bankers (as Mr Tooke observes) not being applied for in order to purchase, but in order to hold on without selling, when the usual term of credit has expired, and the high price which was calculated on has not arrived. But the tea speculators mentioned by Mr Tooke could not have carried their speculations beyond the three months

stage of the speculations, advances

This increase, in

which are the usual term of credit in their trade, unless they had been able to obtain advances from bankers, which, if the expectation of a rise of price had still continued, they probably could

have done

Since, then, credit in the form of ! bank notes is a more potent instrument for raising prices than book credits, an unrestrained power of resorting to this instrument may contribute to prolong and heighten the speculative rise of prices, and hence to aggravate the subsequent recoil But in what degree? and what importance ought we to ascribe to this possibility? It may help us to form some judgment on this point. if we consider the proportion which the utmost increase of bank notes in a period of speculation, bears, I do not say to the whole mass of credit in the country, but to the bills of exchange alone The average amount of bills in existence at any one time is supposed greatly to exceed a hundred millions sterling * The bank note circulation of Great Britain and Ireland seldom exceeds forty millions, and the increase in speculative periods at most two or three And even this, as we have seen, hardly ever comes into play until that advanced period of the speculation at which the tide shows signs of turning, and the dealers generally are rather thinking of the means of fulfilling their existing engagements, than meditating an extension of them while the quan tity of bills in existence is largely in creased from the very commencement of the speculations

§ 6 It is well known that of late! The most approved estimate is that of I

years, an artificial limitation of the issue of bank notes has been regarded lby many political economists, and by a great portion of the public, as an expedient of supreme efficacy for preventing, and when it cannot prevent, for moderating, the fever of speculation, and this opinion received the recognition and sanction of the legislature by the Currency Act of 1844. point, however, which our inquiries have reached, though we have conceded to bank notes a greater power over prices than is possessed by bills or book credits, we have not found reason to think that this superior efficacy has much share in producing the rise of prices which accompanies a period of speculation, nor consequently that any restraint applied to this one instrument, can be efficacious to the degree which is often supposed, in moderating either that rise, or the recoil which follows it. We shall be still less in clined to think so, when we consider that there is a fourth form of credit

Mr Leatham, grounded on the official returns of bill stamps issued The following are the results —

	Bills created in Great Britain		
Year and Ireland, founded on returns of Bill Stamps issued from the Stamp Office		Average amount in circulation at one time in each year	
1832	£356 153,409	£89,038,352	
1833	383,659,585	95,914,896	
1834	879.165 052	94,788,768	
1885	405,403,051	101,350 762	
183G	485,943,473	121 485,868	
1837	455 084,445	113,771,111	
1839	465 504 041	116,378,010	
1839	528,493,842	132,123,460	
	· .		

"Mr Leatham," says Mr Tooke, "gives he process by which, upon the data furnished by the returns of stamps, he arrives at these results; and I am disposed to think that they are as near an approximation to the truth as the nature of the materials ad mits of arriving at. "—Inquiry sate the Currency Principle, p 26 Mr Newmarch (Appendix No 39 to Report of the Committee on the Bank Acts in 1857, and History of Prices, vol. vi p 587) shows grounds for the opinion that the total bill circulation in 1857 was not much less than 180 millions sterling, and that it sometimes rises to 200 millions

transactions, by cheques on bankers, and transfers in a banker's books, which 18 exactly parallel in every respect to bank notes, giving equal facilities to an extension of credit, and capable of acting on prices quite as powerfully In the words of Mr Fullarton,* "there is not a single object at present attained through the agency of Bank of England notes, which might not be as effectually accomplished by each individual keeping an account with the bank, and transacting all his payments of five pounds and upwards by cheque " A bank, instead of lending its notes to a merchant or dealer, might open an account with him, and credit the account with the sum it had agreed to advance on an understanding that hel should not draw out that sum in any, other mode than by drawing cheques; against it in favour of those to whom! he had occasion to make payments! These cheques might possibly even pass from hand to hand like bank notes, more commonly however the receiver would pay them into the hands of his own banker, and when he wanted the money, would draw a fresh cheque against it and hence an objector may urge that as the original cheque would very soon be presented for payment, when it must be paid either in notes or in coin, notes or coin to an equal amount must be provided as the ultimate means of liquidation. It is not so, however The person to whom the cheque is transferred, may perhaps deal with the same banker, and the cheque may return to the very bank on which it was drawn very often the case in country districts, if so, no payment will be called for, but a simple transfer in the banker's books If the will settle the transaction cheque is paid into a different bank, it will not be presented for payment, but liquidated by set-off against other cheques, and in a state of circumstances favourable to a general exten sion of banking credits, a banker who has granted more credit, and has therefore more cheques drawn on him, will also have more cheques on other bankers paid to him, and will only have * On the Regulation of Currencies, p 41.

to provide notes or cash for the payment of balances, for which purpose the ordinary reserve of prudent bankers, one-third of their liabilities, will abundantly suffice. Now, if he had granted the extension of credit by means of an issue of his own notes, he must equally have retained, in coin or Bank of England notes, the usual reserve so that he can, as Mr Fullarton says, give every facility of credit by what may be termed a cheque circulation, which he could give by a note circulation

This extension of credit by entries in a banker's books, has all that superior efficiency in acting on prices, which we ascribed to an extension by means of As a bank note of 201, bank notes paid to any one, gives him 201 of purchasing power based on credit, over and above whatever credit he had of his own, so does a cheque paid to him do the same for, although he may make no purchase with the cheque itself, he deposits it with his banker, and can draw against it As this act of drawing a cheque against another which has been exchanged and cancelled, can be repeated as often as a purchase with a bank note, it effects the same increase of purchasing power The original loan, or credit, given by the banker to his customer, is potentially multiplied as a means of purchase, in the hands of the successive persons to whom portions of the credit are paid away, just as the purchasing power of a bank note is multiplied by the number of persons through whose hands it passes before it is returned to the issuer

These considerations abate very much from the importance of any effect which can be produced in allaying the vicissitudes of commerce, by so superficial a contrivance as the one so much relied on of late, the restriction of the issue of bank notes by an artificial rule An examination of all the consequences of that restriction. and an estimate of the reasons for and against it, must be deferred until we have treated of the foreign exchanges, and the international movements of At present we are only concorned with the general theory of !

prices, of which the different influences of different kinds of credit is an essential part.

There has been a great amount! of discussion and argument on the quest IL tion whether several of these forms of credit, and in particular whether bankl notes, ought to be considered as money \$ The question is so purely verbal as to, be scarcely worth raising, and one would have some difficulty in compre hending why so much importance 19 attached to it, if there were not some authorities who, still adhering to the doctrine of the infancy of society and of political economy, that the quantity of money, compared with that of commodifies, determines general prices, think it important to prove that bank notes and no other forms of credit are money, in order to support the inference that bank notes and no other forms of credit influence prices. It is obvious), however, that prices do not depend on money, but on purchases Money left, with a banker, and not drawn against, or drawn against for other purposes than buying commodities, has no effect on prices, any more than credit which is not used. Credit which is used to purchase commodities, affects prices in the same manner as money Money and credit are thus exactly on a par, in their effect on prices, and whether we choose to class bank notes with the one or the other, is in this respect en tirely immaterial

however, this question of Since, nomenclature has been raised, it seems. desirable that it should be answered. The reason given for considering bank! notes as money, is, that by law and usage they have the property, in common with metallic money, of finally closing the transactions in which they are employed while no other mode of paying one debt by transferring another has that privilege The first ! remark which here suggests itself is, that on this showing, the notes at least of private banks are not money, for a creditor cannot be forced to accept [them in payment of a debt They cer-! tainly close the transaction if he does accept them, but so, on the same sup }

frontion, would a kill of clota, or a If po of wine, which are not for that ting on regarded as money. It seems to be an eccentral part of the ulca of I rioner, What it be legal tender An in confictible paper which is legal tender is universally admitted to be money, in the French language the phrise Arapier mornate actually means incon vortilility, convertible notes being t rely billets a porteur. It is only in the care of Bank of Luglan Inotes under the law of convertibility, that any diffie liv arises, the e noice not being a beat tender from the Bank useli, though a legal tender from all other persons. Hank of Lugland notes undeabiedle do close transactions, so far as reports the buyer. When he has once parl in Bank of Ingland notes, he can in no case be required to pas-But I confess I cannot OTER ALAIN see how the transaction can be deemed complete as regards the seller, when he will cult be found to have received the price of his commodity provided the Unik keeps its promise to pay. An instrument which would be deprived if all value to the insolvency of a corportion, cannot be money in any sents in which money is opposed to credit. It either is not money, or it is mon r and credit too It may be most suitably described as coined credit. The other forms of credit may the distinguished from it as credit in ingots

Some high authorities have , § 8 claimed for bank notes, as compared with other modes of credit, a greater flistinction in respect to influence on brice than we have seen reason to allow, In difference, not in degree, but in kind. They ground this distinction on the fact, that all bills and cheques, as well as all book debts, are from the first in itended to be, and actually are, ultimately liquidated either in coin or in The bank notes in circulation, notes nontly with the coin, are therefore, uccording to these authorities, the basis on which all the other expedients of credit rest, and in proportion to the basis will be the superstructure,

notes determines that of all the other? forms of credit. If bank notes are multiplied, there will, they seem to think be more bills, more payments by cheque, and, I presume, more book credits, and, by regulating and limiting the issue of bank notes, they think that all other forms of credit ared by an indirect consequence, brought under a similar limitation. I believe I have stated the opinion of these authorities correctly, though I have numbers seen the grounds of it set forth with such distinctness as to male me feel quite certain that I understand. It may be true, that according as there are more or fewer bank notes, there is also, in general (though not invariably), more or less of other descrip ions of credit, for the same state of air are which leads to an increase of credit in one shape, leads to an increased of it in other shapes. But I see no reason for believing that the one is the cause of the other. If indeed we begin by assuming, as I suspect is tacitly done, that prices are regulated by comand bank notes, the proposition main tained will certainly follow for, according as prices are higher or lower, the same purchases will give rise to billa, cheques, and book credits of a larger or a smaller amount. But the premise in this reasoning is the very proposi tion to be proved Setting this assump tion aside, I know not how the conclusion can be substantiated The credit given to any one by those with whom he deals, does not depend on the quantity of bank notes or coin in circulation at the time, but on their opinion of his solvence if any consideration of a more f general character enters into their calculation, it is only in a time of prossure on the loan market, when they are not certain of being themselves able to obtain the credit on which they have been accustomed to rely, and even then, what they look to is the general state! of the loan market, and not (precon' ceived theory apart) the amount of bank notes So far, as to the willingness to gire credit And the willingness of a dealer to use his credit, dopends on his expectations of gain, that insomuch that the quantity of bank is, on his opinion of the probable future

price of his commodity, an opinion grounded either on the rise or fall already going on, or on his prospective judgment respecting the supply and the When a dealer rate of consumption extends his purchases beyond his im mediate means of payment, engaging to pay at a specified time, he does so m the expectation either that the transaction will have terminated favourably before that time arrives, or that he shall then be in possession of sufficient funds from the proceeds of his other transactions. The fulfilment of these expectations depends upon prices, but not specially upon the amount of bank notes He may, doubtless, also ask himself in case he should be disappointed in these expectations, to what quarter he can look for a temporary advance, to enable him, at the worst, to keep his engagements But in the first place, this prospective reflection on the somewhat more or less of difficulty which he may have in tiding over his embarrassments, seems too slender an i

inducement to be much of a restrict in a period supposed to be one of rashad venture, and upon persons so confident of success as to involve themselves beyoud their certain means of extrication And further, I apprehend that their confidence of being helped out in the event of all fortune, will mainly depend on their opinion of their own individual credit, with, perhaps, some consideration, not of the quantity of the currency, but of the general state of the loan market They are aware that, in case of a commercial crisis, they shall have difficulty in obtaining advances if they thought it likely that a com mercial crisis would occur before they had realized, they would not speculate If no great contraction of general credit occurs, they will feel no doubt of obtaining any advances which they absolutely require, provided the state of their own affairs at the time affords in the estimation of lendors a sufficient prospect that those advances will be

CHAPTER XIII.

OF AN INCONVERTIBLE PAPER CURRENCY

AFTER experience had shown that pieces of paper, of no intrinsic value, by merely bearing upon them the written profession of being equivalent to a certain number of france, dol lars, or pounds, could be made to circu late as such, and to produce all the benefit to the issuers which could have been produced by the coins which they purported to represent, governments began to think that it would be a happy device if they could appropriate to themselves this benefit, free from the condition to which individuals issuing such paper substitutes for money were subject, of giving, when required, for the sign, the thing signified They determined to try whether they could not emancipate themselves from this un pleasant obligation, and make a piece of paper assued by them pass for a pound, by merely calling it a pound. and consenting to receive it in payment of the taxes. And such is the influence of almost all established governments, that they have generally succeeded in attaining this object. I believe I might say they have always succeeded for a time, and the power has only been lost to them after they had compromised it by the most flagrant abuse.

In the case supposed, the functions of money are performed by a thing which derives its power of performing them solely from convention, but convention is quite sufficient to confer the power, since nothing more is needful to make a person accept anything as money, and even at any arbitrary value, than the persussion that it will be taken from him on the same terms by others. The only question is, what determines the value of such a currency, since it cannot be, as in the case of gold.

and silver (or paper exchangeable for them at pleasure), the cost of production

We have seen, however, that even in the case of a metallic currency, the immediate agency in determining its value is its quantity If the quantity, instead of depending on the ordinary mercantile motives of profit and loss, could be arbitrarily fixed by authority, the value would depend on the fiat of that authority, not on cost of production The quantity of a paper currency not convertible into the metals at the option of the holder, can be arbitrarily fixed, especially if the issuer is the sovereign The value, therepower of the state fore, of such a currency, is entirely

arbitrary

Suppose that, in a country of which the currency is wholly metallic, a paper currency is suddenly issued, to the amount of half the metallic circulation not by a banking establishment, or in the form of loans, but by the government, in payment of salaries and purchase of commodities The currency being suddenly increased by one-half, all prices will rise, and among the rest, the prices of all things made of gold and silver An ounce of manufactured gold will become more valuable than an ounce of gold coin, by more than that customary difference which compensates for the value of the workmanship, and it will be profitable to melt the coin for the purpose of being manufactured, until as much has been taken from the currency by the subtraction of gold, as had been added to it by the issue of paper. Then prices will relapse to what they were at first, and there will be nothing changed except that a paper currency has been substituted for half of the metallic curency which existed before Suppose, now, a second emission of paper, the same series of effects will be renewed. and so on, until the whole of the me allie money has disappeared that is, f paper be issued of as low a denomi nation as the lowest coin, if not, as nuch will remain, as convenience re quires for the smaller payments Tho addition made to the quantity of gold and silver disposable for ornamental currency

purposes, will somewhat reduce, for a time, the value of the article, and as long as this is the case, even though paper has been issued to the original amount of the metallic circulation, as much coin will remain in circulation along with it, as will keep the value of the currency down to the reduced value of the metallic material, but the value having fallen below the cost of production, a stoppage or diminution of the supply from the mines will enable the surplus to be carried off by the ordinary agents of destruction, after which, the metals and the currency will recover We are here suptheir natural value posing, as we have supposed throughout, that the country has mines of its own, and no commercial intercourse with other countries for, in a country having foreign trade, the coin which is rendered superfluous by an issue of paper is carried off by a much prompter

Up to this point, the effects of apaper currency are substantially the same, whether it is convertible into specie or not. It is when the metals have been completely superseded and driven from circulation, that the diffe rence between convertible and inconvertible paper begins to be operative When the gold or silver has all gone from circulation, and an equal quantity of paper has taken its place, suppose that a still further issue is superadded The same series of phenomena recomprices rise, among the rest mences the prices of gold and silver articles, and it becomes an object as before to procure com in order to convert it into There is no longer any coin ! in circulation, but if the paper currency is convertible, coin may still be a obtained from the assuers, in exchange for notes All additional notes, therefore, which are attempted to be forced into circulation after the metals have been completely superseded, will return upon the issuers in exchange for com, and they will not be able to maintain in circulation such a quantity of convertible paper, as to sink its value below the metal which it represents It is not so, however, with an inconvertible To the morease of that (a)

permitted by law) there is no check. The issuers may add to it indefinitely, lowering its value and raising prices in proportion, they may, in other words, depreciate the currency without limit.

Such a power, in whomsoever vosted, is an intolerable evil All variations in the value of the circulating medium are mischievous they disturb existing contracts and expectations, and the liability to such changes renders every pecuniary engagement of long date entirely precarious. The person who buys for himself, or gives to another, an annuity of 100l, does not know whether it will be equivalent to 2001 or to 501 a few years hence as this evil would be if it depended coly on accident, it is still greater when placed at the arbitrary disposal of an individual or a body of individuals, who may have any kind or degree of interest to be served by an artificial fluctuation in fortunes, and who have at any rate a strong interest in issuing as much as possible, each usene being in itself a source of profit Not to add, that the issuers may have, and in the case of a government paper always have, a direct interest in lower ing the value of the currency, because it is the medium in which their own debts are computed.

§ 2 In order that the value of the currency may be secure from being altered by design, and may be as little as possible hable to fluctuation from seccident, the articles least liable of all known commodities to vary in their Avalue, the precious metals, have been , maile in all civilized countries the standard of value for the circulating Imedium, and no paper currency ought to exist of which the value cannot be - made to conform to thours Nor has ithis fundamental maxim ever been enstricly lost sight of even by the govern ments which have most abused the power of creating inconvertible paper If they have not (as they generally have) professed an intention of paying in specie at some indefinite future time, they have at least, by giving to their paper resues the names of their coins. made a virtual, though generally a

false, profession of intending to keep them at a value corresponding to that of the coins I his is not impracticable, even with an inconvertible paper There is not indeed the selfacting check which convertibility brings with But there is a clear and uniqui rocal indication by which to judge whether the currency is depreciated, and to what extent. That indication is, the price of the precious metals When holders of paper cannot demand coin to be converted into bullion, and when there is none left in circulation, bullion rises and falls in price like other things, and if it is above the Mint price, if an ounce of gold, which would be coined into the equivalent 31 17s 10ld, is sold for il or 51 in paper, the value of the currency has sunk just that much below what the value of a metallic currency would be If, therefore, the issue of inconvertible paper were subjected to strict rules, one rule being that whenever bullion, rose above the Mint price, the issues should be contracted until the market price of bullion and the Mint price were again in accordance, such a currency would not be subject to any of the evily usually deemed inherent in an incon vertible paper

But also such a system of currency would have no advantages sufficient to recommend it to adoption An meonvertible currency, regulated by the price of bullion, would conform exactly, in all its variations, to a convertible one, and the only advantage gamed, would be that of exemption from the necessity of keeping any reserve of the precious metals, which is not a very important consideration, especially as a government, so long as its good faith is not suspected, needs not keep so large a reserve as private issuers, being not so hable to great and sudden demands, since there never can be any real doubt of its solvency Against this small advantage is to be set, in the first place, the possibility of fraudulent tampering with the price of bullion for the sake of acting on the currency, in the manner of the fictitious sales of corn, to influence the averages, much and so justly complained of while

the corn laws were in force But a still stronger consideration is the im--portance of adhering to a simple principle, intelligible to the most untaught copacity Everybody can understand convertibility, every one sees that wnat can be at any moment exchanged for five pounds, is worth five pounds Regulation by the price of bullion is a more complex idea, and does not recon mend itself through the same faunhar associations. There would be Inothing like the same confidence, by the public generally, in an inconvertible currency so regulated, as in a convertible one and the most instructed person might reasonably doubt whether such a rule would be as likely to be inflexibly adhered to The grounds of the rule not being so well understood by the public, opinion would probably not enforce it with as much rigidity. and, in any circumstances of difficulty, would be likely to turn against it, while to the government itself a sus pension of convertibility would appear a much stronger and more extreme measure, than a relaxation of what night possibly be considered a somewhat artificial rule There is therefore a great prependerance of reasons in favour of a convertible, in preference to even the best regulated inconvertible The temptation to overcurrency ussue, in certain financial emergencies, is so strong, that nothing is admissible which can tend, in however slight a Legree, to weaken the barriers that restrain it. 137

§ 8 Although no doctrine in political economy rests on more obvious grounds than the mischief of a paper Jourrency not maintained at the same value with a metallic, either by convertibility, or by some principle of limitation equivalent to it, and although, accordingly, this doctrine has, though not till after the discussions of many been tolerably effectually drummed into the public mind, yet dissentients are still numerous, and projectors every now and then start up, with plans for curing all the economidal evils of society by means of an nalimited issue of inconvertible paper

There is, in truth, a great charm in the idea. To be able to pay off the national debt, defray the expenses of government without taxation, and in fine, to make the fortunes of the whole community, is a brilliant prospect, when once a man is capable of believing that printing a few characters on bits of paper will do it. The philosopher's stone could not be expected to do more

As these projects, however often slain, always resuscitate, it is not superfluous to examine one or two of the tallacies by which the schemers impose upon themselves One of the com; monest is, that a paper currency can not be issued in excess so long as every note issued represents property, or half a foundation of actual property to rest on. These phrases, of represent! ing and resting, seldom convey any distinct or well-defined idea they do, their meaning is no more than this—that the issuers of the paper must have property, either of their own or entrusted to them, to the value of all the notes they issue, though for what purpose does not very clearly appear, for if the property cannot be claimed in exchange for the notes, it is difficult to divine in what manner its mere existence can serve to uphold their value I presume, however, it is intended as a guarantee that the holders would be finally reimbursed, in case any untoward event should cause the whole concern to be wound up On this theory there have been many schemes for "coming the whole land of the country into money" and the like

In so far as this notion has any connexion at all with reason, it seems to originate in confounding two entirely distinct earlis, to which a paper currency is liable. One is, the insolvency of the issuers, which, if the paper is grounded on their credit—if it makes any promise of payment in cash, either on demand or at any future time—of course deprives the paper of any value which it derives from the promise. To this evil paper credit is equally liable, however moderately used, and against it, a provise that all issues should be "founded on property," as for instance

X

there are already some things of which that money will no longer purchase as much as before If, therefore, he knows what is going on, he will raise his price, and then the buyer will not have the gain, which is supposed to stimulate his industry But if, on the contrary, the seller does not know the state of the case, and only discovers it when he finds, in laying his money out, that it does not go so far, he then obtains less than the ordinary remunera tion for his labour and capital, and if the other dealer's industry is encou raged, it should seem that his must, from the opposite cause, be impaired

§ 5 There is no way in which a general and permanent rise of prices, or in other words, depreciation of money, can benefit anybody, except at the expense of somebody else. The substitution of paper for metallic currency is a national gain any further increase of paper beyond this is but a form of robbery.

An issue of notes is a manifest gain to the issuers, who, until the notes are returned for payment, obtain the use of ! them as if they were a real capital and so long as the notes are no permanent addition to the currency, but merely supersede gold or silver to the same amount, the gain of the issuer is ? a loss to no one it is obtained by saving to the community the expense i of the more costly material. there is no gold or silver to be superseded-if the notes are added to the currency, instead of being substituted for the metallic part of it—all holders of currency lose, by the depreciation of its value, the exact equivalent of what the issuer gains. A tax is virtually levied on them for his benefit be objected by some, that gains are also made by the producers and dealers who, by means of the increased issue, are accommodated with loans Theirs, however, is not an additional gain, but a portion of that which is reaped by the usuer at the expense of all possessors of money The profits arising from the contribution levied upon the public, he does not keep to himself, but divides , with his customers

But besides the benefit reaped by the issuers, or by others through them at the expense of the public generally, there is another unjust gain obtained by a larger class, namely by those who are under fixed pecuniary obligations All such persons are freed, by a depreciation of the currency, from a portion of the burthen of their debts or other engagements in other words, part of the property of their creditors is gratuitously transferred to them superficial view it may be imagined that this is an advantage to industry, since the productive classes are great borrowers, and generally owe larger debts to the unproductive (if we include among the latter all persons not actually in business) than the unproductive classes owe to them, especially if the national debt be included It is only it thus that a general rise of prices can be a source of benefit to producers and dealers, by diminishing the pressure of their fixed burthens And this might be accounted an advantage, if integrity and good faith were of no importance to the world, and to industry and commerce in particular. Not many, how over, have been found to say that the currency ought to be depreciated on the simple ground of its being desirable to rob the national creditor and private creditors of a part of what is in their bond The schemes which have tended that way have almost always had some appearance of special and circumstantial justification, such as the necessity of compensating for a prior injustice committed in the contrary direction

Thus in England, for many years subsequent to 1819, it was pertinaciously contended, that a large portion of the national debt, and a multituder of private debts still in existence, were contracted between 1797 and 1819, when the Bank of England was exempted from giving cash for its notes and that it is grossly unjust to bor rowers, (that is, in the case of the national debt, to all tax-payers) that they should be paying interest on the same nominal sums in a currency of ful value, which were borrowed in a depreciated one The depreciation, accord-

ing to the views and objects of the parto all ir writer, was represented to have averaged thirty, h to, or even more than fifts per cent and the conclusion was, that either we ought to return to this depreciated currency, or to strike off from the national debt, and from mortgrane or other private debts of old standing, a percentage corresponding to the estimat diamount of the depreciation. To this doctrine, the following was ithe arener usually made Grunting that, by returning to cash payments nithout lowering the standard an in justice was done to debtors, in holding them liable for the same amount of a currency enhanced in value, which they had borrowed while it was depreciated, r is now too late to make reparation ifer this injury. The debtors and crebut re of to-day are not the debtors and raditors of 1910 the lapse of years has entirely altered the pecuniary relations of the community, and it being impossible now to ascertain the parti ular persons who were either benefited or injured to attempt to retrace our steps would be not rudressing a rrong but superadding a second act of wide-spread injustice to the one al-This argument is ready committed certainly conclusive on the practical quistion, but it places the honest conclusion on too narrow and too low a It conce les that the measure of 1819, called Peels Bill, by which cash payments were resumed at the original standard of 31 17s 104d, was really the injustice it was said to be This is an admission wholly opposed to the truth Parliament had no alterartive, it was absolutely bound to adhere to the acknowled_ed standard, as may be shown on three distinct grounds, two of fact, and one of principle

The reasons of fact are these In the first place, it is not true that the dibts private or public, incurred during the Bank ristriction, were contracted in a currency of lower value than that in which the interest is now paid. It is indeed true that the suspension of the obligation to pay in specie, did put it in the power of the Bank to depreciate the currency. It is true also that the Bank really exercised that power,

though to a far less extent than is often pretendel, since the difference between the market price of gold and the Mint valuation, during the greater part of the interval, was very triling, and when it was greatest, during the last five ve irs of the war, did not much exceed thirts per cent. To the extent of that difference, the currency was deprecrated, that is, its value was below that of the standard to which it pro fessed to adhere But the state of hurope at that time was such-there was so unusual an absorption of the precious metals, by hearding, and in the military chests of the vast armies which then desolated the Continent, that the value of the standard atself was very considerably raised and the best authorities, among whom it is sufficient to name Mr Tooke, have, after an elaborate investigation, satisfied themselves that the difference between paper and bullion was not greater than the enhancement in value of gold itself, and that the paper, though depreciated relatively to the then value of gold, did not sink below the ordinary value, at other times, either of gold or of a convertible paper. If this be true (and the evidences of the fact are conclusively stated in Mr Tooke's History of Prices) the foundation of the whole case against the fundholder and other creditors on the ground of depreciation 18 subverted

But, secondly, even if the currency i had really been lowered in value at each period of the Bank restriction, in the same degree in which it was depreciated in relation to its standard, we must remember that a part only of the national debt, or of other permanent engagements, was incurred during A large part the Bank restriction had been contracted before 1797, a still larger during the early years of the restriction, when the difference between paper and gold was vet small To the holders of the former part, an injury was done, by paying the interest for twenty two years in a depreciated currency those of the second, suffered an injury during the years in which the interest was paid in a currency more depreciated than that in which the

To have re loans were contracted sumed cash payments at a lower standard would have been to perpe tuate the injury to these two class s of creditors, in order to avoid giving an undue benefit to a third class, who had lent their money during the few years of greatest depreciation. As it is, there was an underpayment to one set of persons, and an overpayment to another The late Mr Mushet took the trouble to male an arithmetical comparison between the two amounts He ascer tained by calculation, that if an account had been made out in 1819, of what the fundholders had gained and lost by the variation of the paper cur rency from its standard, they would have been found as a body to have been · losers, so that if any compensation was due on the ground of depreciation. I it would not be from the fundhelders

collectively, but to them Thus it is with the facts of the care. But these reasons of fact are not the There is a reason of prin ~ciple, still more powerful. Suppose that, not a part of the debt merely, but the whole, had been contracted in a depreciated currency, depreciated not only in comparison with its standard. but with its own value before and after, and that we were now paying the interest of this debt in a currency of fifty or even a hundred per cent more valuable than that in which it contracted 11 bat difference would this make in the obligation of paying it, if the condition that it should be so paid was part of the original com pact? Now this is not only truth, but less than the truth The compact stipulated better terms for the fund holder than he has received. During

striction, there was a parliamentary pledge, by which the lightlaton was as much bound as any legislature is espable of binding strelf, that each payments thould be retined on the unginal footing, at farthest in wix months after the conclusion of a go This was therefore an neral peace. actual condition of every loan, and the terms of the loan were more favourable in consideration of it. Without some ench stipulation, the Government could not linve expected to forms unless on the terms on which lears are made to the native princes of India. If it had been understood and avoved that, borrowing the money, testudies erw it doubt it was computed might be permanently lowered, to any extent which to the "collective wisdom" of a legislature of borrowers might teem fit—who can ray what rate of interest would have been a ruffi cient inducement to persons of columna singe to righ their sayings in such an adventure? However much the funcholders had gained by the resumption of cash payments, the terms of the son tract insured their giving ample value They gave value for more than for it. they received, since cash payments were not resumed in six months, but in as many years, after the peace that waiving all our arguments except the last, and conceding all the fac s assorted on the other side of the question, the fundholders, instead of being unduly benefited, are the injured party, and would have a claim to compensation, if such claums were not very properly barred by the impossibility of adjudication, and by the salutary general maxim of law and policy, that questions should at some time or another come to an the whole continuance of the Bank re-

CHAPTER XIV

OF EXCESS OF SUPPLY

tion of the theory of money contained of Value, which could not be entisfac-In the last few chapters, we shall re- tornly discussed until the nature and

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§ 1 AFTER the elementary exposi- | turn to a question in the general theory

operations of Money were in some measure understood, because the errors against which we have to contend mainly originate in a misunderstand

ing of those operations

We have seen that the value of everything gravitates towards a certain medium point (which has been called the Natural Value), namely, that at which it exchanges for every other thing in the ratio of their cost We have seen, too, of production that the actual or market value comcides, or nearly so, with the natural value, only on an average of years, and is continually either rising above, or falling below it, from alterations in the demand, or casual fluctuations in the supply but that these variations correct themselves, through the tendency of the supply to accommodate itself to the demand which exists for the commodity at its natural value general convergence thus results from the balance of opposite divergences Dearth, or scarcity, on the one hand, and over-supply, or, in mercantile language, glut, on the other, are mordent In the first case, to all commodities the commodity affords to the producers or sellers, while the deficiency lasts, an unusually high rate of profit in the second, the supply being in excess of that for which a demand exists, at such a value as will afford the ordinary profit. the sellers must be content with less, and must, in extreme cases, submit to a loss

Because this phenomenon of oversupply, and consequent inconvenience or loss to the producer or dealer, may exist in the case of any one many commodity whatever, sons, including some distinguished political economists, have thought that it may exist with regard to all commodities, that there may be a general over production of wealth, a supply of commodities in the aggre gate, surpassing the demand, and a consequent depressed condition of all classes of producers Against this doctrine, of which Mr Malthus and Dr Chalmers in this country, and M de Sismondi on the Continent, were the chief apostles, I have already contended in the First Book, * but it was not possible, in that stage of our inquiry, to enter into a complete examination of an error (as I conceive) essentially grounded on a misunderstanding of the phenomena of Value and Price

The doctrine appears to me to involve so much inconsistency in its very conception, that I feel considerable difficulty in giving any statement of it which shall be at once clear, and satisfactory to its supporters They agree in maintaining that there may be, and sometimes is, an excess of productions in general beyond the demand for them, that when this happens, purchasers cannot be found at prices which will repay the cost of production with a profit, that there ensues a general depression of prices or values (they are soldom accurate in discriminating between the two), so that producers, the more they produce, find themselves the poorer, instead of richer and Dr Chalmers accordingly inculcates on capitalists the practice of a horal restraint in reference to the pursuit of gain, while Sismondi deprecates machinery, and the various inventions which increase productive power They? both maintain that accumulation of capital may proceed too fast, not merely for the moral, but for the material in terests of those who produce and accumulate, and they enjoin the rich to guard against this evil by an ample! unproductive consumption

\$ 2 When these writers speak of the supply of commodities as outraining the demand, it is not clear which of the two elements of demand they have in view—the desire to possess, or the means of purchase whether their meaning is that there are, in such cases, more consumable products in existence than the public desires to consume, or merely more than it is able to pay for In this uncertainty, it is necessary to examine both suppositions

First, let us suppose that the quantity of commodities produced is not greater than the community would be glad to consume is it, in that case,

^{*} Supra, pp 41-43

possible that there should be a defi ciency of demand for all commodities, for want of the means of payment? Those who think so, cannot have considered what it is which constitutes the means of payment for commodities Each per It 18, simply, commodities son's means of paying for the productions of other people consists of those which he himself possesses All sellers are mevitably, and by the meaning of the word, buyers Could we suddenly double the productive powers of the country, we should double the supply of commodities in every market, but we should, by the same stroke, double the purchasing power Every body would bring a double demand as well as supply everybody would be able to buy twice as much, because every one would have twice as much to offer in exchange. It is probable, indeed, that there would now be a super fluity of certain things Although the community would willingly double its aggregate consumption, it may already have as much as it desires of some commodities, and it may prefer to do more than double its consumption of others, or to exercise its increased purchasing power on some new thing so, the supply will adapt itself accord ingly, and the values of things will continue to conform to their cost of production. At any rate, it is a sheer absurdity that all things should fall in value, and that all producers should, in consequence, be insufficiently remu nerated If values remain the same, what becomes of prices is immaterial, since the remuneration of producers does not depend on how much money. but on how much of consumable arti cles, they obtain for their goods sides, money is a commodity, and if all commodities are supposed to be doubled in quantity, we must suppose money to be doubled too, and then prices would no more fall than values would.

§ 3 A general over supply, or excess of all commodities above the demand, so far as demand consists in means of payment, is thus shown to be an impossibility. But it may, per haps, be supposed that it is not the

ability to purchase, but the desire to possess, that falls short, and that the general produce of industry may be greater than the community desires to consume-the part, at least, of the community which has an equivalent It is evident enough, that to give produce makes a market for produce, and that there is wealth in the country with which to purchase all the wealth in the country, but those who have the means, may not have the wants, and those who have the wants may be without the means A portion, there fore, of the commodities produced may be unable to find a market, from the absence of means in those who have the desire to consume, and the want

of desire in those who have the means This is much the most plausible form 🦫 of the doctrine, and does not, like that, which we first examined, involve s There may easily be a contradiction greater quantity of any particular commodity than is desired by those who have the ability to purchase, and it is abstractedly conceivable that this might be the case with all commodi-The error is in not perceiving that though all who have an equivalent to give, might be fully provided with every consumable article which they desire, the fact that they go on adding to the production proves that this is not actually the case Assume the most favourable hypothesis for the pur pose, that of a limited community, every member of which possesses as much of necessaries and of all known luxumes as he devices and since it is not concervable that persons whose wants were completely satisfied would labour and economize to obtain what they did not desire, suppose that a foreigner armies, and produces an ad ditional quantity of something of which there was already enough. Here, it will be said, is over production true, I reply, over production of that par ticular article the community wanted no more of that, but it wanted some-The old inhabitants, indeed, wanted nothing, but did not the foreigner himself want something? When he produced the superfluous article, was he labouring without a

motive? He has produced, but the wrong thing instead of the right wanted, perhaps, food, and has produced watches, with which everybody was sufficiently supplied. The new comer brought with him into the country a demand for commodities, equal to all that he could produce by his industry, and it was his business to see that the supply he brought should be suitable to that demand he could not produce something capa-He of exciting a new want or desire in the community, for the satisfaction of which some one would grow more food and give it to him in exchange, he had the alternative of growing food for himself, either on fresh land, if there was any unoccupied, or as a tenant, or partner, or servant, of some former occupier, willing to be partially re heved from labour. He has produced a thing not winted, instead of what was wanted, and he himself, perhaps, is not the kind of producer who is vanted, but there is no over production, production is not excessive, but merely ill assorted. We saw before, that whoever brings additional commodities to the market, brings an additional power of parchase, we now are that he brings also an additional desire to consume, since if he had not that desire, he would not have troubled himself to produce Neither of the elements of demand, therefore, can be wanting, when there is an additional supply, though it is perfectly possible that the demand may be for one thing, and the supply may unfortunately connist of another

Driven to his last retreat, an opponent may perhaps allege, that there are persons who produce and accumulate from mere habit, not because they have any object in growing richer, or desire to add in any respect to their comsumption, but from vis inertice. They continue producing because the machine is ready mounted, and save and re invest their savings because they have nothing on which they care to expend them. I grant that this is possible, and in some few instances probably happens, but these do not in the smallest degree affect our con-

clusion For, what do these persons do with their savings? They invest them productively, that is, expend them in employing labour In other words, having a purchasing power belonging to them, more than they know what to do with, they make over the surplus of it for the general benefit of the labouring class Now, will that class also not know what to do with Are we to suppose that they too have their wants perfectly satisfied, and go on labouring from mere habit? Until this is the case, until the working classes have also reached the point of satisty—there will be no want of demand for the produce of capital, however rapidly it may accumulate since, if there is nothing else for it to do, it can always find employment in producing the necessaries or luxumes of the labouring class And when they too had no further desire for necessanes or luxures, they would take the benefit of any further increase of wages by diminishing their work, so that the over production which then for the first time would be possible in idea, could not even then take place in fact, for want of labourers Thus, in whatever manner the question is looked at, even though we go to the extreme verge of possibility to invent a supposition favourable to it, the theory of general over production implies an absurdity

§ 4 What then is it by which meny who have reflected much on economical phenomena, and have even contributed to throw new light upon them by on ginal speculations, have been led to embrace so irrational a doctrine? I conceive them to have been deceived by a mistaken interpretation of certain mercantile facts. They imagined that the possibility of a general over supply of commodities was proved by experience. They believed that they saw this phenomenon in certain conditions of the markets, the true explanation of which is totally different.

I have already described the state of the markets for commodities which accompanies what is termed a commercial crisis. At such times there is really an excess of all commodities

in other above the money demand words, there is an under-supply of money From the sudden annihilation of a great mass of credit, every one dislikes to part with ready money, and many are anxious to procure it at any sacrifice Almost everybody therefore is a seller, and there are scarcely any buyers so that there may really be, though only while the crisis lasts, an extreme depression of general prices, from what may be indiscriminately called a glut of commodities or a dearth of money But it is a great error to suppose, with Sismondi, that a commercial crisis is the effect of a general excess of production. It is simply the consequence of an excess of speculative It is not a gradual advent of low prices, but a sudden recoil from prices extravagantly high its imme diate cause is a contraction of credit. and the remedy is, not a diminution of supply, but the restoration of confi It is also evident that this temporary derangement of markets is an evil only because it is temporary The fall being solely of money prices, if prices did not rise again no dealer would lose, since the smaller price would be worth as much to him as the larger price was before In no manner does this phenomenon answer to the description which these celebrated economists have given of the evil of over production. That permanent decline in the circumstances of producers, for want of markets, which those writers contemplate, is a conception to which the nature of a commercial crisis gives no support

The other phenomenon from which the notion of a general excess of wealth and superfluity of accumulation seems to derive countenance, is one of a more permanent nature, namely, the fall of profits and interest which naturally takes place with the progress of population and production. The cause of this decline of profit is the increased cost of maintaining labour, which results from an increase of population and of the demand for food, outstripping the advance of agricultural improvement. This important feature in this economical progress of nations will

receive full consideration and discussion in the succeeding Book.* It is obviously a totally different thing from a want of market for commodities, though often confounded with it in the complaints of the producing and trading classes The true interpretation of the modern or present state of industrial economy is, that there is hardly any amount of business which may not be done, if people will be content to do it on small profits, and this, all active and intelligent persons in business perfectly well know but even those who comply with the necessities of their time, grumble at what they comply with, and wish that there were less capital, or as they express it, less competition, in order that there might be greater profits Low profits, how! ever, are a different thing from deficiency of demand, and the production and accumulation which merely reduce profits, cannot be called excess of supply or of production What the phenomenon really 18, and 1ts effects and necessary limits, will be seen when we treat of that express subject

I know not of any economical facts, except the two I have specified, which can have given occasion to the opinion that a general over production of commodities ever presented itself in actual experience. I am convinced that there is no fact in commercial affairs, which, in order to its explanation, stands in need of that chimerical supposition.

The point is fundamental, any dif ference of opinion on it involves radically different conceptions of political economy, especially in its practical aspect On the one view, we have only to consider how a sufficient production may be combined with the best possible distribution, but on the other there is a third thing to be considered -how a market can be created for produce, or how production can be limited to the capabilities of the market Besides, a theory so essentially self-contradictory cannot intrude itself without carrying confusion into the very heart of the subject, and making it impossible even to conceive with any districtness many of the

* Infra, book iv ch 4.

more complicated economical workings i of society This error has been, I conceive, fatal to the systems, as systems. of the three distinguished economists to whom I before referred, Malthus, Chalmers, and Sismondi, all of whom have admirably conceived and explained several of the elementary theorems of political economy, but this fatal misconception has spread itself like a veil between them and the more difficult portions of the subject. not suffering one ray of light to penetrate Still more is this same confused idea constantly crossing and bewildering the speculations of minds inferior to theirs It is but justice to two eminent names, to call attention to the

fact, that the ment of having placed this most important point in its true light, belongs principally, on the Con tinent, to the judicious J B Say, and in this country to Mr Mill, who the sides the conclusive exposition which he gave of the subject in his Elements of Political Economy) had set forth the correct doctrine with great force and clearness in an early pamphlet, called forth by a temporary controversy, and entitled, "Commerce Defended," the first of his writings which attained any celebrity, and which he prized more as having been his first introduction to the iriendship of David Ricardo, the most valued and most intimate friend ship of his life

CHAPTER XV

OF A MEASURE OF VALUE

§ 1 There has been much discussion among political economists respecting a Measure of Value. An importance has been attached to the subject greater than it deserved, and what has been written respecting it has contributed not a little to the reproach of logomachy, which is brought, with much exaggeration, but not altogether without ground, against the speculations of political economists. It is necessary, however, to touch upon the subject, if only to show how little there is to be said on it.

A Measure of Value, in the ordinary sense of the word measure, would mean, something, by comparison with which we may ascertain what is the value of any other thing. When we consider farther, that value itself is relative, and that two things are necessary to constitute it, independently of the third thing which is to measure it, we may define a Measure of Value to be something, by comparing with which any two other things, we may infer their value in relation to one another

In this sense, any commodity will serve as a measure of value at a given time and place, since we can always

infer the proportion in which things exchange for one another, when we know the proportion in which each exchanges for any third thing as a convenient measure of value is one of the functions of the commodity selected as a medium of exchange is in that commodity that the values of all other things are habitually esti We say that one thing is mated. worth 2l, another 8l, and it is then known without express statement, that one is worth two-thirds of the other, or that the things exchange for one an other in the proportion of 2 to 3 Money 3 18 a complete measure of their value

But the desideratum sought by political economists is not a measure of the value of things at the same time and place, but a measure of the value of the same thing at different times and places something by comparison with which it may be known whether any given thing is of greater or less value now than a century ago, or in this country than in America or China. And for this also, money, or any other commodity, will serve quite as well as at the same time and place, provided we can obtain the same data, provided

we are able to compare with the measure not one commodity only, but the two or more which are necessary to the If wheat is now 40s idea of value the quarter, and a fat sheep the same, and if in the time of Henry the Second wheat was 20s, and a sheep 10s, we know that a quarter of wheat was then worth two sheep, and is now only worth one, and that the value therefore of a sheep, estimated in wheat, is twice as great as it was then, quite independently of the value of money at the two periods, either in relation to those two articles (in respect to both of which we suppose it to have fallen), or to other commodities, in respect to which we need not make any supposition

What seems to be desired, however, by writers on the subject, is some means of ascertaining the value of a commodity by merely comparing it with the measure, without referring it specially to any other given commodity would wish to be able, from the mere fact that wheat is now 40s the quarter, and was formerly 20s., to decide whether wheat has varied in its value, and in what degree, without selecting a second commodity, such as a sheep, to compare it with, because they are desirons of knowing, not how much wheat has varied in value relatively to slicep, but how much it has varied relatively

to things in general.

necessary indefiniteness of the idea of , general exchange value value in relation not to some one commodity, but to commodities at large Even if we knew exactly how much a quarter of wheat would have purchased at the earlier period, of every marketable article considered separately, and that it will now purchase more of some things and less of others, we should often find it impossible to say whether it had rison or fallen in relation to things in general. How much more impossible when we only know how it has varied in relation to the measure To enable the money price of a thing at two different periods to measure the

quantity of things in general which it

will exchange for, the same sum of

The first obstacle arises from the

to the same quantity of things in/ general, that is, money must always, have the same exchange value, the same general purchasing power Now, not only is this not true of money, or of any other commodity, but we cannot even suppose any state of circumstances at in which it would be true

A measure of exchange value, therefore, being impossible, writers have formed a notion of something, under the name of a measure of value, which would be more properly termed a measure of cost of production. They have imagined a commodity invariably produced by the same quantity of to which supposition it necessary to add, that the fixed capital employed in the production must bear always the same proportion to the wages of the immediate labour, and must be always of the same durability in short, the same capital must be add vanced for the same length of time, so that the element of value which con sists of profits, as well as that which consists of wages, may be unch inge-We should then have a com modity always produced under one and the same combination of all the cir cumstances which affect permanent Such a commodity would be by no means constant in its exchange value, for (even without reckoning the temporary fluctuations arising from supply and demand) its exchange value would be altered by every change in the circumstances of production of the things against which it was exchanged But if there existed such a commodity, we should derive this advantage from it, that whenever any other thing varied permanently in relation to it, we should know that the cause of variation was not in it, but in the other thing It would thus be fitted to serve as a measure, not indeed of the value of other things, but of their cost of production. If a commodity acquired a greater permanent purchasing power in relation to the invariable commodity, its cost of production must have become greater, and in the contrary case, less This money must correspond at both periods | measure of cost, is what political

economists have generally meant by a measure of value

But a measure of cost, though perfectly concerrable, can no more exist in fact, than a measure of exchange value There is no commodity which is invariable in its cost of production Gold and silver are the least variable. but even these are hable to changes in their cost of production, from the exfiguration of old sources of supply, the discovery of new, and improvements in the mode of working. If we attempt to ascertain the changes in the cost of production of any commodity from the changes in its money price, the conclusion will require to be corrected by the best allowance we can make for the intermediate changes in the cost of the production of money itself

Adam Smith fancied that there were two commodities peculiarly fitted to serve as a measure of value corn, and lahour Of corn, he said that although its value fluctuates much from year to year, it does not vary greatly from cen-This we now know tury to century to be an error corn tends to rise in cost of production with every increase of population, and to full with every improvement in agriculture, either in the country itself, or in any foreign country from which it draws a portion or its supplies. The supposed constancy of the cost of the production of corn depends on the maintenance of a complete equipoise between these an tagonizing forces, an equipoise which, if over realized, can only be accidental With respect to labour as a measure of value, the language of Adam Smith 15 not uniform. He sometimes speaks of it as a good measure-only for short periods, saving that the value of labour (or wages) does not vary much from year to year, though it does from generation to generation On other occasions he speaks as if labour were intrinsically the most proper measure of value, on the ground that one day's ordinary muscular exertion of one man, may be looked upon as always, to him, the same amount of effort or sacrifice but this proposition, whether in itself agmissible or not, discards the idea of exchange value altogether, substituting a totally different idea, more analogous to value in use—If a day's labour will purchase in America twice as much of ordinary consumable articles as in England, it seems a vain subtlety to insist on saying that labour is of the same value in both countries, and that it is the value of the other things which is different. Labour, in this case, may be correctly said to be twice as valuable, both in the market and to the labourer himself, in America as in England

If the object were to obtain an approximate measure by which to estimite value in use, perhaps nothing better could be chosen than one day's subsistence of an average man, reckoned in the ordinary food consumed by the class of unskilled labourers. If in any country a pound of maize flour will support a labouring man for a day, a thing, nught be deemed more or less valuable in proportion to the number of pounds of maize flour it exchanged for one thing, either by itself or by what it would purchase, could maintain a labouring man for a day, and another could maintain him for a week, there would be some reason in saying that the one was worth, for ordinary human uses, seven times as much as the other But this would not measure the worth of the thing to its possessor for his own purposes, which might be greater to any amount, though it could not be less, than the worth of the food which the thing would purchase

The idea of a Measure of Value must not be confounded with the idea of the regulator, or determining principle, of value When it is said by Ricardo and others, that the value of a thing is regulated by quantity of labour, they do not mean the quantity of labour for which the thing will exchange, but the quantity required for producing it This, they mean to affirm, determines its value, causes it be of the value it is, and of no other But when Adam Smith and Malthus say that labour is But when Adam a measure of value, they do not mean the labour by which the thing was or can be made, but the quantity of labour which it will exchange for, or purchase, in other words, the value of the thing, estimated in labour And they do not

effect in determining what that value and whether and how much it varies thermometer and the fire

mean that this regulates the general | from time to time and from place to exchange value of the thing, or has any | place To confound these two ideas, would be much the same thing as to shall be, but only ascertains what it is, overlook the distinction between the

CHAPTER XVI.

OF BOME PECULIAR CASES OF VALUE.

§ 1 Tur general laws of value, in all the more important cases of the interchange of commodities in the same country, have now been investigated. We examined, first, the case of monopoly, in which the value is determined by either a natural or an artificial limitation of quantity, that is, by demand and supply secondly, the case of free competition, when the article can be produced in indefinite quantity at the enme cost, in which case the permanent value is determined by the cost of production, and only the fluctuations by supply and demand thirdly a mixed case, that of the articles which can be produced in indefinite quantity, but not at the same cost, in which case the permanent value is determined by the greatest cost which it is necessary to incur in order to obtain the required supply lastly, we have found that money itself is a commodity of the third class, that its value, in a state of freedom, is governed by the same laws as the values of other commodities of its class and that prices, therefore, follow the same laws as values

From this it appears that demand and supply govern the fluctuations of values and prices in all cases, and the permanent values and prices of all things of which the supply 18 determined by any agency other than that of free competition but that, under the régime of competition, things are, on the average, exchanged for each other at such values, and sold at such prices, as afford equal expectation of advantage to all classes of producers, which can only be when things ex-

change for one another in the ratio of their cost of production.

It is now, however, necessary to take notice of certain cases, to which, from their peculiar nature, this law of ex-

change value is mapplicable

It sometimes happens that two different commodities have what may be termed a joint cost of production They are both products of the same operation, or set of operations, and the outlay is incurred for the sake of both together, not part for one and part for the other The same outlay would have to be incurred for either of the two, if the other were not wanted or used at all. are not a few instances of commodities thus associated in their production For example, coke and coal gue are both produced from the same material, and by the same operation In a more partial sense, mutton and wool are an example beef, hides, and tallow calves and dairy produce chickens and eggs Cost of production can have nothing to do with deciding the value of the associated commodities relatively to each other It only decides their joint value The gas and the coke together have to repay the expenses of their production, with the ordinary profit. To do this, a given quantity of gas, together with the coke which is the residuum of its manufacture, must exchange for other things in the ratio of their joint cost of production But how much of the remuneration of the producer shall be derived from the coke, and how much from the gas, remains to be decided Cost of production does not determine their prices, but the sum of their prices A principle is wanting to apportion

the expenses of production between the

Since cost of production here fails us, we must revert to a law of value anterior to cost of production, and more fundamental, the law of demand and supply The law is, that the demand for a commodity varies with its value, and that the value adjusts itself so that the demand shall be equal to the supply This supplies the principle of repartition which we are in quest of.

∧ Suppose that a certain quantity of gas is produced and sold at a certain price, and that the residuum of coke is bifered at a price which, together with that of the gas, repays the expenses with the ordinary rate of profit pose, too, that at the price put upon the gas and coke respectively, the whole of the gas finds an easy market, without either surplus or deficiency, but that purchasers cannot be found for all the coke corresponding to it. The coke will be offered at a lower price in order to force a market But this lower price, together with the price of gas, will not be remunerating the manufacture, as a whole, will not pay its expenses with the ordinary profit, and will not, on these terms, continue to be carried on The gas, therefore, must be sold at a higher price, to make up for the defi-The demand conciency on the coke sequently contracting, the production will be somewhat reduced, and prices will become stationary when, by the joint effect of the rise of gas and the fall of coke, so much less of the first is sold, and so much more of the second, that there is now a market for all the coke which results from the existing extent of the gas manufacture

Or suppose the reverse case, that more coke is wanted at the present prices than can be supplied by the operations required by the existing deficiency, will rise in price. The whole operation will yield more than the usual rate of profit, and additional capital will be attracted to the manufacture. The unsatisfied demand for coke will be supplied, but this cannot be done without increasing the supply of gas too, and us the existing demand was fully

supplied already, an increased quantity can only find a market by lowering the price The result will be that the two together will yield the return required by their joint cost of production, but that more of this return than before will be furnished by the coke, and less by the gas Equilibrium will be attained when the demand for each article fits so well with the demand for the other, that the quantity required of each is exactly as much as is generated in producing the quantity required of the other. If there is any surplus or deficiency on either side, if there is a demand for coke, and not a demand for all the gas produced along with it, or vice versa, the values and prices of the two things will so readjust themselves that both shall find a market.

When, therefore, two or more commodities have a joint cost of production, their natural values relatively to each other are those which will create a demand for each, in the ratio of the quantities in which they are sent forth by the productive process. This theorem is not in itself of any great but the illustration it importance affords of the law of demand, and of the mode in which, when cost of production fails to be applicable, the other principle steps in to supply the vacancy, is worthy of particular attention, as we shall find in the next chapter but one that something very similar takes place in cases of much greater moment

§ 2 Another case of value which ments attention, is that of the different kinds of agricultural produce. This is; rather a more complex question than the last, and requires that attention should be paid to a greater number of influencing circumstances.

The case would present nothing peculiar, if different agricultural products were either grown indiscriminately and with equal advantage on the same soils, or wholly on different soils. The difficulty arises from two things first, that most soils are fitter for one kind of produce than another, without being absolutely unfit for any, and secondly, the rotation of crops

For simplicity, we will confine our | the general supposition to two kinds of agricultural produce, for instance, wheat and oats If all soils were equally adapted for wheat and for oats, both would be grown indiscriminately on all soils, and their relative cost of production, being the same everywhere, would govern their relative value If the same labour which grows three quarters of wheat on any given soil, would always grow on that soil five quarters of oats, the three and the five quarters would be of the same value If, again, wheat and oats could not be grown on the same roil at all, the value of each would be determined by its peculiar cost of production on the least favourable of the soils adapted for it which the existing demand required a recourse to fact, however, is that both wheat and eats can be grown on almost any soil which is capable of producing either but some soils, such as the stiff clays, are better adapted for wheat, while others (the light sandy soils) are more suitable for oats. There might be some soils which would yield, to the same quantity of labour, only four quarters of oats to three of wheat, others perhaps less than three of wheat to five quarters of oats Among these diversities, what determines the relative value of the two things?

It is evident that each grain will be cultivated in preference, on the soils which are better adapted for it than for the other, and if the demand is supplied from these alone, the values of the two grains will have no reference to one another But when the demand for both is such as to require that each should be grown not only on the soils peculiarly fitted for it, but on the medium soils which, without being specifically adapted to either, are about equally suited for both, the cost of production on those medium soils will determine the relative value of the two grains, while the rent of the soils specifically adapted to each, will be regulated by their productive power, considered with reference to that one alone to which they are peculiarly applicable Thus far the question presents no difficulty, to any one to whom !

the general principles of value are

It may happen, however, that the demand for one of the two, as for example wheat, may no outstrip the demand for the other, as not only to occupy the soils specially suited for wheat, but to engross entirely those equally suitable to both, and even en croach upon those which are letter! adapted to outs To create an inducement for this unequal apportionment of the cultivation, wheat must be relatively dearer, and oats cheaper, than according to the cost of their production Their relative on the medium land value must be in proportion to the co t on that quality of land, whatever it may be, on which the comparative do mand for the two grains requires that both of them should be grown If, from the state of the demand, the two cultivations meet on land more favourable to one than to the other, that one will be cheaper and the other dearer, in relation to each other and to things in general, than if the proportional demand were as we at first supposed

Here, then, we obtain a fresh illustration, in a somewhat different manner, of the operation of demand, not as an occasional disturber of value, but as a permanent regulator of it, conjoined with, or supplementary to, cost of

production

The case of rotation of crops does not require separate analysis, being a case of joint cost of production, like that of gas and coke. If it were the practice to grow white and green crops on all lands in alternate years, the one being necessary as much for the sake of the other as for its own sake, the farmer would derive his remuneration for two years' expenses from one white and one green crop, and the prices of the two would so adjust themselves as to create a demand which would carry off an equal breadth of white and of green crops

There would be little difficulty in finding other anomalous cases of value, which it might be a useful exercise to resolve but it is neither desirable nor possible, in a work like the present, to enter more into details than is necos-

eary for the elucidation of principles | that of International Exchanges, or to I now therefore proceed to the only part of the general theory of exchange | tween distant places which has not yet been touched upon,

speak more generally, exchanges be-

CHAPTER XVII.

OF INTERNATIONAL TRADE.

§ 1 THE causes which occasion a commodity to be brought from a distance, instead of being produced, as convenience would seem to dictate, as hear as possible to the market where it is to be sold for consumption, are usually conceived in a rather superficial minner Some things it is physically impossible to produce, except in particular circumstances of heat, soil, water, or atmosphere But there are many things which, though they could be produced at home without difficulty and in any quantity, are yet imported from a distance. The explanation which would be popularly given of this would be, that it is cheaper to import than to produce them and this is the true reason But this reason itself requires that a reason be given for it. Of two things produced in the same place, if one is cheaper than the other, the reason is that it can be produced with less labour and capital, or, in a word, at less cost. Is this also the reason as between things produced in different places? Are things never imported but from places where they can be produced with less labour (or less of the other element of cost, time) than in the place to which they are brought? Does the law, that permanent value is proportioned to cost of production, hold good between commodities produced in distant places, as Int does between those produced in ad lacent places?

We shall find that it-does not A thing may sometimes be sold chenpest, by being produced in some other place than that at which it can be produced with the smallest amount of labour and abstinence England might import

corn from Poland and pay for it in cloth, even though England had a decided advantage over Poland in the production of both the one and the other England might send cottons to Portugal in exchange for wine, although Portugal might be able to produce cottons with a less amount of labour and capital than England could

This could not happen between adincent places If the north bank of the Thames possessed an advantage over the south bank in the production of shoes, no shoes would be produced on the south side, the shoemakers would remove themselves and their capitals to the north bank, or would have esta blished themselves there originally, for, being competitors in the same market with those on the north side, they could not compensate themselves for their disadvantage at the expense of the consumer the amount of it would fall entirely on their profits, and they would not long content themselves with a smaller profit, when, by simply crossing a river, they could But between distant increase it. places, and especially between different countries, profits may continue dif ferent because persons do not usually remove themselves or their capitals to a distant place without a very strong If capital removed to remote parts of the world as readily, and for as small an inducement, as it moves to another quarter of the same town, if people would transport their manufactories to America or China whenever they could save a small percentage in their expenses by it, profits would be alike (or equivalent) all over the world, and all things would be produced in

the places where the same labour and I capital would produce them in greatest quantity and of best quality A tendency may, even now, be observed towards such a state of things, capital is becoming more and more cosmopolitan, there is so much greater similarity of manners and institutions than formerly, and somuch less alienation of feel ing, among the more civilized countries, that both population and capital now move from one of those countries to another on much less temptation than But there are still extraheretofore ordinary differences, both of wages and of profits, between different parts of the world It needs but a small motive to transplant capital, or even persons, from Warwickshire to Yorkshire a much greater to make them remove to India, the colonies, or Ireland. France, Germany, or Switzerland, capital moves perhaps almost as readily as to the colonies, the differences of lan guage and government being scarcely so great a hindrance as climate and To countries still barbarous, or, like Russia or Turkey, only beginning to be civilized, capital will not migrate, unless under the inducement of a very great extra profit.

Between all distant places therefore in some degree, but especially between different countries (whether under the same supreme government or not), there may exist great inequalities in the return to labour and capital, without causing them to move from one place to the other in such quantity as to level those inequalities. The capital belonging to a country will, to a great extent, remain in the country, even if there be no mode of employing it in which it would not be more productive lelsewhere Yet even a country thus circumstanced might, and probably would, carry on trade with other countries. It would export articles of some sort, even to places which could make them with less labour than itself, because those countries, supposing them to have au advantage over it in all productions, would have a greater advantage in some things than in others, and would find it their interest to import the articles in which their advantage was

amallest, that they might employ more of their labour and capital on those in which it was greatest.

§ 2 As I have said elsewhere after Ricardo (the thinker who has done most towards clearing up this subject),† "it is not a difference in the absolute cost_of-production, which determines the interchange, but a difference in the comparatue cost. It may be to our advantage to procure iron from Sweden in exchange for cottons, even although the mines of England as well as her manufactories should be more productive than those of Sweden, for if we have an advantage of one-half in cottons, and only an advantage of a quarter in iron, and could sell our cottons to Sweden at the price which Sweden must pay for them if she produced them herself, we should obtain our iron with an advantage of one half, as well as our cottons We may often, by trading with foreigners, obtain their commodities at a smaller expense of labour and capital than they cost to the foreigners themselves The bargain is still advantageous to the foreigner, because the commodity which he receives in exchange, though it has cost us less, would have cost him more "

To illustrate the cases in which in terchange of commodities will not, and those in which it will, take place between two countries, Mr Mill, in his Elements of Political Economy, i makes the supposition, that Poland has an advantage over England in the production both of cloth and of corn. He first supposes the advantage to be of equal amount in both commodities the cloth and the corn, each of which required 100 days labour in Poland, requiring

* Essays on some Unsettled Questions of Political Economy Essay I.

[†] I at one time believed Mr Ricardo to have been the sole author of the doctrino now universally received by political economists, on the nature and measure of the benefit which a country derives from foreign trade But Colonel Torrens, by the republication of one of his early writings, The Economists Refuted, has established at least a joint claim with Mr Ricardo to the origination of the doctrine, and an exclusive one to its earliest publication

1 Third ed. p 120,

each 150 days labour in England would follow that the cloth of 150 days labour in England, if sent to Poland, would be equal to the cloth of 100 days labour in Poland, if exchanged for corn, therefore, it would exchange for the corn of only 100 days labour But the corn of 100 days labour in Poland, was supposed to be the same quantity with that of 150 days labour in England With 150 days labour in cloth, therefore, England would only get as much corn in Poland as she could raise with 150 days labour at home, and she would, in importing it, have the cost of carriage besides In these circumstances no exchange would take place " In this case the comparative costs of the two articles in England and in Poland were supposed to be the same, though the absolute costs were differ ent, on which supposition we see that there would be no labour saved to either country by confining its industry to one of the two productions, and importing the other

It is otherwise when the comparative, and not merely the absolute costs of the two articles are different in the two countries "If," continues the same Countries author, "while the cloth produced with 100 days labour in Poland was produced with 150 days labour in England, the corn which was produced in Poland with 100 days labour could not be produced in England with less than 200 days labour, an adequate motive to exchange would immediately arise With a quantity of cloth which England produced with 150 days labour, she would be able to purchase as much corn in Poland as was there produced with 100 days labour, but the quantity which was there produced with 100 days labour, would be as great as the quantity produced in England with 200 days labour" By importing corn, therefore, from Poland, and paying for it with cloth, England would obtain for 150 days labour what would otherwise cost her 200, being a saving of 50 days labour on each repetition of the transaction and not merely a saving to England, but a saving absolutely, for it is not obtained at the expense of Poland, who, with corn that costs her i

100 days labour, has purchased cloth which, if produced at home, would have cost her the same Poland, therefore. on this supposition, loses nothing, but also she derives no advantage from the trade, the imported cloth costing her as much as if it were made at home enable Poland to gain anything by the interchange, something must be abated from the gain of England the coin produced in Poland by 100 days labour, must be able to purchase from England more cloth than Poland could produce by that amount of labour, more therefore than England could produce by 150 days labour, England thus obtaining the corn which would have cost her 200 days, at a cost exceeding 150, though short of 200 England therefore no longer gains the whole of the labour which is saved to the two jointly. by trading with one another

§ 3 From this exposition we perceive in what consists the benefit of international exchange, or in other words, foreign commerce Setting aside its enabling countries to obtain com modities which they could not them (selves produce at all, its advantage consists in a more efficient employ ment of the productive forces of the world. If two countries which trade together attempted, as far as was physically possible, to produce for them-2 selves what they now import from one another, the labour and capital of the two countries would not be so productive, the two together would not obtain from their industry so great a quantity of commodities, as when each employs itself in producing, both for itself and for the other, the things in which its labour is relatively mostly The addition thus made to? the produce of the two combined, con! stitutes the advantage of the trade It is possible that one of the two countries may be altogether inferior to the other in productive capacitics, and that its labour and capital could be employed to greatest advantage by being removed bodily to the other The labour and capital which have been sunk in rendering Holland habitable, would have produced a much

greater return if transported to Ame rica or Ireland The produce of the whole world would be greater, or the labour less, than it is, if everything were produced where there is the greatest absolute facility for its pro-But nations do not, at least duction in modern times, emigrate en masse, and while the labour and capital of a country remain in the country, they are most beneficially employed in producing for foreign markets as well as for its own, the things in which it lies under the least disadvantage, if there be none in which it possesses an ad vantage

§ 4 Before proceeding further, let

us contrast this view of the benefits) of international commerce with other theories which have prevailed, and i which to a certain extent still prevail, on the same subject According to the doctrine now stated, the only direct advantage of foreign commerce consists in the imports country obtains things which it either could not have produced at all, or which it must have produced at a greater expense of capital and labour than the cost of the things which it exports to pay for them It thus obtains a more ample supply of the commodities it wants, for the same labour and capital, or the same supply, for less labour and capital, leaving the surplus disposable to produce other things. The vulgar theory disregards this benefit, and deems the advantage of commerce to reside in the exports as if not what a country obtains, but what it parts with, by its foreign trade, was supposed to constitute the gain to it. An extended market for its produce—an abundant consumption for its goods—a vent for its surplus—are the phrases by which it has been customary to designate the uses and recommendations of commerce This notion is with foreign countries intelligible, when we consider that the authors and leaders of opinion on mer cantile questions have always hitherto been the selling class It is in truth a surviving relic of the Mercantile Theory, according to which, money being the only wealth, selling, or in

other words, exchanging goods for money, was (to countries without mines of their own) the only way of growing rich—and importation of goods, that is to say, parting with money, was so much subtracted from the benefit.

The notion that money alone is, wealth, has been long definet, but it has left many of its progeny behind it, and even its destroyer, Adam couthe retained some opinions which it is inpossible to trace to any other originia Adam Smith's theory of the benefit of foreign trade, was that it afforded an out? let for the surplus produce of a country, and enabled a portion of the capital of the country to replace itself with a profit. These expressions suggest ideas' inconsistent with a clear conception of the phenomena The expression, sur-, plus produce, seems to imply that a country is under some kind of mices! sity of producing the corn or clothing which it exports, so that the portion which it does not itself consume, if not wanted and consumed elsewhere, would either be produced in sheer waste, or if it were not produced, the corresponding portion of capital would remain idle, and the mass of productions in the country would be diminished by so much Either of these suppositions would be entirely erroncous country produces an exportable art. le in excess of its own wants, from no inherent necessity, but as the cherpest mode of supplying itself with other things. If prevented from exporting this surplus, it would cease to produce it, and would no longer import anything, being unable to give an equivalent, but the labour and capital which had been employed in producing with a view to exportation, would find employment in producing those desirable objects which were previously brought from abroad or, if some of them could not be produced, in producing substitutes for them These articles would of course be produced at a greater cost than that of the things with which they had previously been purchased from foreign countries But the value and price of the articles would rise in proportion, and the capital would just as much be

replaced, with the ordinary profit, from the returns, as it was when employed in producing for the foreign market. The only losers (after the temporary inconvenience of the change) would be the consumers of the heretofore imported articles, who would be obliged either to do without them, consuming in lieu of them something which they did not like as well, or to pay a higher

price for them than before There is much misconception in the common notion of what commerce does for a country When commerce is spoken of as a source of national wealth, the imagination fixes itself upon the large fortunes acquired by merchants, rather than upon the saving of price to consumers But the gains of merchants, when they enjoy no exclusive privilege, are no greater than the profits obtained by the employment of capital in the country itself be said that the capital now employed in foreign trade could not find employment in supplying the home market, I might reply, that this is the fallacy of general over production, discussed in a former chapter but the thing is in this particular case too evident, to require an appeal to any general theory not only see that the capital of the merchant would find employment, but we see what employment There would be employment created, equal to that which would be taken away Exportation ceasing, importation to an equal value would cease also, and all that part of the income of the country which had been expended in imported commodities, would be ready to expend itself on the same things produced at home, or on others instead of them. Commerce is virtually a mode of cheaprung production, and in all such cases the consumer is the person ultimately benefited, the dealer, in the end, is sure to get his profit, whether the buver obtains much or little for his money This is said without prejudice to the effect (already touched upon, and to be hereafter fully discussed) which the cheapening of commodities may have in ruising profits, in the case when the commodity cheapened, being one of those consumed by labourers, enters into the cost of labour, by which the rate of profits is determined.

§ 5 Such, then, is the direct economical advantage of foreign trade But there are, besides, indirect effects, which must be counted as benefits of a high order One is, the tendency of every extension of the market to improve the processes of production country which produces for a larger market than its own, can introduce a more extended division of labour, can make greater use of machinery, and is more likely to make inventions and improvements in the processes of pro-Whatever causes a greater duction quantity of anything to be produced in the same place, tends to the general increase of the productive powers of the world.* The e is another consideration, principally applicable to an early stage of industrial advancement. A people may be in a quiescent, indolent, uncultivated state, with all their tastes either fully satisfied or entirely undeveloped, and they may fail to put forth the whole of their productive energies for want of any sufficient object of desire The opening of a foreign trade, by making them acquainted with new objects, or tempting them by the easier acquisition of things which they had not previously thought attainable, sometimes works a sort of industrial revolution in a country whose resources were previously undeveloped for want of energy and ambition in the people inducing those who were satistied with scanty comforts and little work, to work harder for the gratification of their new tastes, and even to save, and accumulate capital, for the still more complete satisfaction of those tastes at a future time

But the economical advantages of commerce are surpassed in importance, by those of its effects, which are intellectual and moral. It is hardly possible to overrate the value, in the present low state of human improvement, of placing human beings in contact with persons dissimilar to themselves, and with modes of thought and action

^{*} Vide supra, book i. ch ix & 1.

unlike those with which they are fami Commerce is now, what war once was, the principal source of this con Commercial adventurers from more advanced countries have gene rally been the first civilizers of barbarians. And commerce is the purpose of the far greater part of the communi cation which takes place between civi Such communication lized nations has always been, and is peculiarly in the present age, one of the primary pources of progress To himan beings, who, as hitherto educated, can scarcely cultivate even a good quality without running it into a fault, it is indispen sable to be perpetually comparing their own notions and customs with the experience and example of persons in different circumstances from themselves and there is no nation which does not need to borrow from others, not merely particular arts or practices, but essen-

tial points of character in which its own typo is informer I mally, com merce first taught nations to see with good will the wealth and prosperity of Pefore, the patriot, un one another less sufficiently advanced in culturn to feel the world his country, wished all countries weak, poor, and ill govern d, he now eces in their but his own wealth and progresse direct source of wealth and progress to his own country, It is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural apposition to it And it may be said without exacteration, that the great extent and rapid increase of international trade, in being the principal guarantee of the peace of the world, is the great permanent security for the uninterrupted progress of the ideas, the institutions, and the character of the human race

CHAPTER XVIII.

OF INTERNATIONAL VALUES

THE_values_of_commodities oroduced at the same place, or in places sufficiently adjacent for capital to move freely between them-let us say, for simplicity, of commodities produced in the same country-depend (temporary fluctuations apart) upon their cost of production But the value of a commodity brought from a distant place, especially from a foreign country, uoes not depend on its cost of produc-, tion in the place from whence it comes On what, then, does it depend? The value of a thing in any place, depends ion the cost of its acquisition in that place, which in the case of an imported article, means the cost of production of the thing which is exported to pay for it.

Since all trade is in reality barter. money being a mere instrument for exchanging things against one another, we will, for simplicity, begin by supform, what it always is in reality, an actual trucking of one commodity As far as we have against another hitherto proceeded, we have found all the laws of interchange to be essen tially the same, whether money is used or not, money never governing, but always obeying, those general laws

If, then, England imports wine from Spain, giving for every pipe of wine a bale of cloth, the exchange value of a pipe of wine in Fugland will not depend upon what the produc tion of the wine may have cost in Spain, but upon what the production of the cloth has cost in Lingland Though the wine may have cost in Spain the equivalent of only ten days labour, yet, if the cloth costs in England twenty days labour, the wine, when brought to England, will ex change for the produce of twenty days English labour, plus the cost of carposing the international trade to be in I riage, including the usual profit on the

importer's capital during the time it is locked up, and withheld from other

employment

The value, then, in any country, of a foreign commodity, depends on the quantity of home produce which must be given to the foreign country in exchange for it In other words, the values of foreign commodities depend on the terms of international exchange What, then, do these depend upon? What is it, which, in the case supposed, causes a pine of wine from Spain to be exchanged with England for exactly that quantity of cloth? Wo have seen that it is not their cost of production If the cloth and the wine were both made in Sprin, they would exchange at their cost of production in Spain, if they were both made in England, they would exchange at their cost of production in England but all the cloth being made in England, and all the wine in Spain, they are in circomstances to which we have already determined that the law of cost of production is not applicable We must accordingly, as we have done before in a similar embarrassment, fall back upon an antecedent law, that of supply and demand and in this we shall again find the solution of our difficulty

I have discussed this question in a separate Fssay, already once referred to, and a quotation of part of the exposition then given, will be the best introduction to my present view of the subject I must give notice that we are now in the region of the most complicated questions which political economy affords, that the subject is one which cannot possibly be made elementary, and that a more continuous effort of attention than has yet been required, will be necessary to follow the series of deductions thread, however, which we are about to take in hand, is in itself very simple and manageable, the only difficulty is in following it through the windings and entanglements of complex international transactions

§ 2 "When the trade is established between the two countries, the two commodities will exchange for each other.

each other at the same rate of interchange in both countries—bating the cost of carriage, of which, for the present, it will be incre-convenient to omit the consideration. Supposing, therefore, for the sake of argument, that the carriage of the commodities from one country to the other could be effected without labour and without cost, no sooner would the trade be opened than the value of the two commodities, estimated in each other, would come to a level in both countries.

"Suppose that 10 yards of broad cloth cost in England as much labour as 15 yards of linen, and in Germany as much as 20" In common with most of my predecessors, I find it advisable, in these intricate investigations, to give distinctness and fixity to the conception by numerical examples. These examples must sometimes, as in the present case, be purely suppositions. I should have preferred real ones, but all that is essential is, that the numbers should be such as admit of being easily followed through the subsequent combinations into which

they enter

This supposition then being made, it would be the interest of England to import linen from Germany, and of Germany to import cloth from England "When each country produced both commodities for itself, 10 yards of cloth exchanged for 15 yards of linen in England, and for 20 in Germany They will now exchange for the same number of yards of linen in both For what number? If for 15 yards, England will be just as she was, and Germany will gain all. If for 20 yards, Germany will be as before, and England will derive the whole of the benefit any number intermediate between 15 and 20, the advantage will be shared between the two countries example, 10 yards of cloth exchange for 18 of linen, England will gain au advantage of 3 yards on every 15, Germany will save 2 out of every 20 The problem is, what are the causes which determine the proportion in which the cloth of England and the linen of Germany will exchange for

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"As exchange value, in this case as in every other, is proverbially fluctuating, it does not matter what we suppose it to be when we begin we shall soon see whether there be any fixed point about which it oscillates, which it has a tendency always to approach to, and to remain at Let us suppose, then, that by the effect of what Adam Smith calls the hingling of the market, 10 yards of cloth, in both countries, exchange for 17 yards of linen

"The demand for a commodity, that 18, the quantity of it which can find a purchaser, varies, as we have before remarked, according to the price Germany the price of 10 yards of cloth is now 17 yards of linen, or whatever quantity of money is equivalent in Germany to 17 yards of linen that being the price, there is some particular number of yards of cloth, which will be in demand, or will find purchasers, at that price 'There is some given quantity of cloth, more than which could not be disposed of at that price, less than which, at that price, would not fully satisfy the demand. Let us suppose this quantity to be 1000 times 10 yards

"Let us now turn our attention to England. There, the price of 17 vards of linen is 10 yards of cloth, or whatever quantity of money is equivalent in England to 10 yards of cloth. There is some particular number of yards of linen which, at that price, will exactly satisfy the demand, and no more Let us suppose that this number is 1000 times 17

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"As 17 yards of linen are to 10 yards of cloth, so are 1000 times 17 yards to 1000 times 10 yards. At the existing exchange value, the linen which England requires will exactly pay for the quantity of cloth which, on the same terms of interchange, Germany requires. The demand on each side is precisely sufficient to carry off the supply on the other. The conditions required by the principle of demand and supply are fulfilled, and the two commodities will continue to be interchanged, as we supposed them to be,

in the ratio of 17 yards of linen for 10 yards of cloth

"But our suppositions might have Suppose that, at the. been different assumed rate of interchange, England had been disposed to consume no greater quantity of linen than 800 times 17 yards it is evident that, at the rate supposed, this would not have sufficed to pay for the 1000 times 10 vards of cloth which we have supposed Germany to require at the assumed Germany would be able to procure no more than 800 times 10 yards at that price To procure the remaining 200, which she would have no means of doing but by bidding higher for them, she would offer more than 17 yards of linen in exchange for 10 yards of cloth let us suppose her At this price, perhaps, to offer 18 England would be inclined to purchase a greater quantity of linen She would consume, possibly, at that price, 900 times 18 yards On the other hand, cloth having risen in price, the demand of Germany for it would probably have diminished If, instead of 1000 times 10 yards, she is now contented with 900 times 10 yards, these will exactly pay for the 900 times 18 yards of linen which England is willing to take at the altered price the demand on each side will again exactly suffice to take off the corresponding supply, and 10 yards for 18 will be the rate at which, in both countries, cloth will exchange for linen

"The converse of all this would have happened, if, instead of 800 times 17 yards, we had supposed that England, at the rate of 10 for 17, would have taken 1200 times 17 yards of linen In this case, it is England whose demand is not fully supplied, it is England who, by bidding for more linen, will alter the rate of interchange to her own disadvantage, and 10 yards of cloth will fall, in both countries, below the value of 17 yards of linen. By this fall of cloth, or what is the same thing, this rise of linen, the demand of Germany for cloth will increase, and the demand of England for linen will diminish, till the rate of interchange has so adjusted itself that the cloth

and the linen will exactly pay for one another, and when once this point is attained, values will remain without further alteration

"It may be considered, therefore, as established, that when two countries trade together in two commodities, the exchange value of these commodities relatively to each other will adjust itself to the inclinations and circumstances of the consumers on both sides. in such manner that the quantities required by each country, of the articles which it imports from its neighbour, shall be exactly sufficient to pay for one another As the inclinations and circumstances of consumers cannot be reduced to any rule, so neither can the proportions in which the two commodities will be interchanged. We know that the limits within which the varation is confined, are the ratio between their costs of production in the one country, and the ratio between their costs of production in the other vands of cloth cannot exchange for more than 20 yards of linen, nor for less than 15 But they may exchange for any intermediate number ratios, therefore, in which the advantage of the trade may be divided betheen the two nations, are zanous The circumstances on which the propertionate share of each country more remotely depends, admit only of a very general indication.

"It is even possible to conceive an extreme case, in which the whole of the advantage resulting from the interchange would be reaped by one party, the other country gaining nothing at There is no absurdity in the hypothesis that, of some given commodity, a certain quantity is all that is wanted at any price, and that, when that quantity is obtained, no fall in the exchange value would induce other consumers to come forward, or those who are already supplied, to take more I et us suppose that this is the case in Germany with cloth Before her trade with England commenced, when 10 yards of cloth cost her as much labour as 20 vards of linen, she nevertheless consumed as much cloth as she wanted under any circumstances, and, if she

could obtain it at the rate of 10 yards of cloth for 15 of linen, she would not consume more Let this fixed quantity be 1000 times 10 yards At the rate. however, of 10 for 20, England would want more linen than would be equivalent to this quantity of cloth would, consequently, offer a higher value for linen, or, what is the same thing, she would offer her cloth at a cheaper rate But, as by no lowering of the value could she prevail on Germany to take a greater quantity of cloth, there would be no limit to the rise of lineu or fall of cloth, until the demand of England for linen was reduced by the rise of its value, to the quantity which 1000 times 10 yards of cloth would purchase It might be, that to produce this diminution of the demand a less fall would not suffice than that which would make 10 yards of cloth exchange for 15 of linen Germany would then gain the whole of the advantage, and England would be exactly as she was before the trade commenced. It would be for the interest, however, of Germany herself to keep her linen a little below the value at which it could be produced in England, in order to keep herself from being supplanted by the home pro-England, therefore, always benefit in some degree by the existence of the trade, though it might be a very trifling one"

In this statement, I conceive, is contained the first elementary principle of j International Values I have, as is indispensable in such abstract and hy pothetical cases, supposed the circumstances to be much less complex than they really are in the first place by suppressing the cost of carriage next, by supposing that there are only two countries trading together, and lastly, that they trade only in two commodi-To render the exposition of the principle complete, it is necessary to restore the various circumstances, thus temporarily left out to simplify the argument Those who are accustomed to any kind of scientific investigation will probably see, without formal proof, that the introduction of these circumstances cannot alter the theory of the

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subject. Trade among any number of | countries, and in any number of com modities, must take place on the rame essential principles as trade between two countries and in two commodities Introducing a greater number of agents precisely similar, cannot change the law of their action, no more than putting additional weights into the two scales of a balance alters the law of gravitation. It alters nothing but the numerical results For more com plete satisfaction, however, we will enter into the complex cases with the same particularity with which we have stated the sampler one

First, let us introduce the ele ment of cost of carrage The chief difference will then be, that the clock and the lines will no longer exchange for each other at precisely the san o trate in both countries | Linen, having to be carried to England, will be dearer there by its cost of carriage, and cloth will be dearer in Germany by the cost of carrying it from Lingland Linen, estimated in cloth, will be dearer in I England than in Germany, by the cost of carriage of both articles and so will t cloth in Germany, estimated in linear E Suppose that the cost of carriage of teach is equivalent to one yard of linen. and suppose that, if they could have been carried without cost, the terms of interchange would have been 10 yards of cloth for 17 of hnen It may seem at first that each country will pay its own cost of carriage, that is, the car riage of the article it imports, that in Germany 10 jards of cloth will oxchange for 18 of linen, namely, the original 17, and 1 to cover the cost of carriage of the cloth, while in Lugland, 10 jards of cloth will only purchase 16 of linen, 1 yard being deducted for the cost of carriage of the This, however, cannot be af firmed with certainty, it will only be true, if the linen which the English consumers would take at the price of 10 for 16, exactly pays for the cloth which the German consumers would i The values, want-] take at 10 for 18 over they are, must establish this equi-

can be laid down for the division of the cost, no more than for the division of the advantage—and it does not follow that in whatever ratio the one is divided, the other will be divided in the same—It is impossible to say, if the cost of carriage could be annihilated, whether the producing or the importing country would be most benefit. Thus would depend on the play of international demand

Cost of carriage has one effect more But for it, every commodity would (if trade be supposed free) be either regu larly imported or noularly exported A country would make nothing for steelf which it did not also make for i other countries. But in consequence of cost of carriage there are many things, especially bulky articles, which overs, or almost every country produces within itself. After exporting the things in which it can employ itself most advantageously, and importing those in which it is under the greatest disadvantage, there are many lying between, of which the relative cost of production in that and in other countries differs so little, that the cost of carriage would absorb more than the whole saving in cost of production vilich and exporting another This is the case with numerous commodities of common consumption, including the coarser qualities of many articles of food and manufacture, of which the finer kinds are the subject of extensive, international traffic

Let us now introduce a greater? number of commodities than the two we have intherto supposed. Let cloth A and linen, however, be still the articles of which the comparative cost of production in England and in Germany differs the most, so that if they were confined to two commodities, these would be the two which it would be most their interest to exchange will now again omit cost of carriage, which, having been shown not to affect the essentials of the question, does but embarrass unnecessarily the statement of it Let us suppose, then, that the hbrium. No absolute rule, therefore, demand of England for huen is either

so rench greater than that of Germany i for cleth, or so much more extensible by cheapness, that if Ingland had no com modity but cloth which Germany would take, the demand of England would force up the terms of interchange to 10 van's of cloth for only 16 of linen, so that Ingland would gain only the difference between 15 and 16, Germany the difference between 16 and 20. But Het us now suppose that I ngland has falso another commodity, say iron, which is in demand in Germany, and fil at the quantity of iron which is of equal value in l'agland with 10 yards of cloth (let us call this quantity a hundred weight) will, if produced in Germany, cost as much labour as 18 vards of linen, so that if offered by hing land for 17, it will undersell the German producer. In these circumstances, linen will not be forced up to the rate of 16 yards for 10 of cloth, but will stop, suppose at 17, for although at that rate of interchange, Germany will not take enough cloth to pay for all the linen required by England, she will take from for the remainder, and it is the same thing to I agland whether she gives a hundred weight of iron or 10 vards of cloth, both being made at the l If we now superadd coals or cottons on the side of England, and wine, or corn, or timber, on the side of Germany, it will make no difference in the principle The exports of each country must exactly pay for the im ports, merning now the aggregate exports and imports, not those of parnicular commodities taken singly produce of fifty days English labour, whether in cloth coals, iron, or any lother exports, will exchange for the produce of forty, or fifty, or sixty days German labour, in linen, wine, corn, or timber, according to the international [demand | There is some proportion at which the demand of the two countries for each other's products will exactly correspond, so that the things supplied by England to Germany will be completely paid for, and no more, by those supplied by Ger many to Fugland This accordingly will be the ratio in which the produce of English and the produce of land would be obliged to give to the

German labour will exchange for one another

If, therefore, it be asked what country draws to itself the greatest share of the advantage of any trade it carries on. the answer 14, the country for whose productions there is in other countries the greatest demand, and a demand the most susceptible of increase from additional cheapness. In so far as the productions of any country possess this property, the country obtains all foreign ! commodities at less cost It gets its im ports cheaper, the greater the intensity of the demand in foreign countries for its exports It also gets its importacheaper, the less the extent and in tensity of its own demand for them, I be market in cheapest to those whose demand is small A country which degrees few foreign productions, and enly a limited quantity of them, while its own commodities are in great request iniforcign countries, will obtain its limited imports at extremely small cost, that is, in exchange for the produce of a very small quantity of its labour and capital

Lastly, having introduced more than) the original two commodities into the hypothesis, let us also introduce more than the original two countries. Afterf the demand of England for the linen of Germany has raised the rate of interchange to 10 yards of cloth for 16 of linen, suppose a trade opened between England and some other country which also exports linen. And let us suppose that if England had no trade but with this third country, the play of international demand would enable her to obtain from it, for 10 vards of cloth or its equivalent, 17 yards of linen. She evidently would not go on buying linen from Germany at the former rate Germany would be undersold, and must consent to give 17 yards, like the other In this case, the circum stances of production and of demand in the third country are supposed to be in themselves more advantageous to Eng land than the circumstances of Gormany, but this supposition is not necessary we might suppose that if the trade with Germany did not exist, Engother country the same advantageous terms which she gives to Germany, 10 yards of cloth for 16, or even less than 116, of linen Even so, the opening of the third country makes a great difference There is now a in favour of England double market for English exports, while the demand of England for linen is only what it was before necessarily obtains for England more advantageous terms of interchange The two countries, requiring much more of her produce than was required by either alone, must, in order to obtain it, force an increased demand for their exports, by offering them at a lower value

It describes notice, that this effect in favour of England from the opening of another market for her exports, will equally be produced even though the country from which the demand comes should have nothing to sell which Eng land is willing to take Suppose that the third country, though requiring coth or iron from England, produces no linen, nor any other article which is in demand there She however produces exportable articles, or she would have no means of paying for imports her exports, though not suitable to the English consumer, can find a market somewhere As we are only supposing three countries, we must assume her to find this market in Germany, and to pay for what she imports from England by orders on her German customers Germany, therefore, besides having to pay for her own imports, now owes a debt to England on account of the third country, and the means for both purposes must be derived from her exportable produce. She must therefore tender that produce to England on terms sufficiently favourable to force a demand equivalent to this double debt Everything will take place precisely as if the third country had bought Ger man produce with her own goods, and offered that produce to England in exchange for hers There is an increased demand for English goods, for which German goods have to furnish the payment, and this can only be done by forcing an increased demand for them in England, that is, by lowering their

value Thus an increase of demand for a country's exports in any foreign country, enables her to obtain more cheaply even those imports which she procures from other quarters. And conversely, an increase of her own demand for any foreign commodity compels her, cateris paribus, to pay dearer

for all foreign commodities The law which we have now illus! trated, may be appropriately named, the Equation of International Deniand It may be concisely stated as follows The produce of a country exchanges for the produce of other countries, at such values as are required in order that the whole of her exports may exactly payi for the whole of her imports. This law of International-Values is but an extension of the more general law of Value, which we called the Equation of Supply and Demand * We have seen that the value of a commodity always so adjusts itself as to bring the demand to the exact level of the supply all trade, either between nations or individuals, is an interchange of commodities, in which the things that they respectively have to sell, constitute also their means of purchase—the supply brought by the one constitutes his demand for what is brought by the other So that supply and demand are but another expression for reciprocal demand and to say that value will adjust itself so as to equalize demand with supply, is in fact to say that it will adjust itself so as to equalize the demand on one side with the demand on the a other

§ 5 To truce the consequences of this law of International Values through their wide ramifications, would occupy more space than can be here devoted to such a purpose But there is one of its applications which I will notice, as being in itself not unimportant, as bearing on the question which will occupy us in the next chapter, and especially as conducing to the more full and clear understanding of the law itself.

We have seen that the value at which a country purchases a foreign commo-

• Supra, book iii, ch ii 🕻 🕹

dity, does not conform to the cost of production in the country from which the commodity comes. Suppose now a change in that cost of production, an improvement, for example, in the process of manufacture. Will the benefit of the improvement be fully participated in by other countries? Will the commodity be sold as much cheaper to foreigners, as it is produced cheaper at hence? This question, and the considerations which must be entered into in order to resolve it, are well adapted to try the worth of the theory.

Let us first suppose, that the improvement is of a nature to cre ito a new branch of export to make foreigners re-ort to the country for a commodity which they had proviously produced at On this supposition, the foreign demand for the productions of the country is increased, which necessarily alters the international values to its advantage, and to the disadvantage of foreign countries, who, therefore, though they participate in the benefit of the new product, must purchase that benefit by paying for all the other productions of the country at a dearer rate than be-How much denrer, will depend fore on the degree necessary for re-establish ing, under these new conditions, the Lipation of International Domand These consequences follow in a very obvious manner from the law of international values, and I shall not occupy space in illustrating them, but shall pass to the more frequent case, of an improvement which does not create a new article of export, but lowers the cost of production of something which the country already exported

It being advantageous, in discussions of this complicated nature, to employ definite numerical amounts, we shall return to our original example. Ten yards of cloth, if produced in Germany, would require the same amount of labour and capital as twenty yards of linen, but, by the play of international demand, they can be obtained from Lingland for seventeen. Suppose now, that by a mechanical improvement made in (rerman), and not capable of being transferred to England, the same amountity of labour and capital which

produced twenty yards of linen, is enabled to produce thirty Linen falls one-third in value in the German mar ket, as compared with other commodi ties produced in Germany also fall one third as compared with English cloth, thus giving to England, in common with Germany, the full benefit of the improvement? Or (ought we not rather to may), since the cost to England of obtaining linen was not regulated by the cost to Germany of producing it, and since England, accordingly, did not get the entire benefit even of the twenty yards which Germany could have given for ten yards of cloth, but only obtained seventeen—why should she now obtain more, merely because this theoretical limit is removed ten degrees further off?

It is evident that in the outset, the improvement will lower the value of linen in Germany, in relation to all other commodities in the German market, including, among the rest, even the imported commodity, cloth yards of cloth previously exchanged for 17 yards of linen, they will now ex change for half as much more, or 251 But whether they will continue vards to do so, will depend on the effect which this increased cheapness of linea produces on the international demand The demand for linen in England could scarcely fail to be increased. But it might be increased either in proportion to the cheapness, or in a greater proportion than the cheapness, or in a less proportion

If the demand was moreased in the same proportion with the cheapness, England would take as many times 251 yards of linen, as the number of times 17 yards which she took previously She would expend in linen exactly as much of cloth, or of the equivalents of cloth, as much in short of the collective income of her people, as she did before Germany, on her part, would probably require, at that rate of interchange, the same quantity of cloth as before, be cause it would in reality cost her ex actly as much, 251 yards of linen being now of the same value in her market, as 17 yards were before In this case, therefore, 10 yards of cloth for 251 of

linen is the rate of interchange which under these new conditions would restore the equation of international demand, and England would obtain linen one third cheaper than before, being the same advantage as was obtained by Germany

It might happen, however, that this great cheapening of linea would in crease the demand for it in England in a greater ratio than the increase of cherpness, and that if she nanted 1000 times 17 yards, she would now require more than 1000 times 25% unrds to satisfy her demand the equation of international demand cannot establish itself at that rate of interchange, to pay for the linen Fing land must offer cloth on more advantageous terms say, for example, 10 vards for 21 of linen, so that England will not have the full benefit of the improvement in the production of linen, while Germany, in addition to that benefit, will also pay less for cloth But again, it is possible that Ungland might not desire to increase her consumption of linen in even so great a proportion as that of the increased cheapness, she might not desire so great a quantity as 1000 times 251 yards and in that case Germany must force a demand, by offering more than 254 yards of linen for 10 of cloth, linen will be cherpened in England in a still greater degree than in Germany, while Germany will obtain cloth on more unfavourable terms, and at a higher exchange value than before

After what has already been said, it 18 not necessary to particularize the manner in which these results might be modified by introducing into the hypothesis other countries and other commodities There is a further cir cumstance by which they may also be modified In the case supposed, the consumers of Germany have had a part of their incomes set at liberty by the mercased cheapness of linen, which they may indeed expend in increasing, their consumption of that article, but which they may, likewise, expend in other articles, and among others, in cloth or other imported commodities This would be an additional element in l

the international demand, and would modify more or less the terms of inter-

change

Of the three possible varieties in the influence of cheapness on demand, which is the more probable—that the domand would be increased more than the che inness, as much as the cheapness, or less than the che oness? This depends on the nature of the particular commodity, and on the tastes of pur When the commodity is one aroznío in general request, and the fall of its price brings it within the reach of a much larger class of incomes than be fore, the demand is often increased in a greater ratio than the fall of price, and a larger sum of money is on the whole expended in the article was the case with coffee, when its price was lowered by successive reductions of taxation, and such would probably be the case with sugar, wine, and a large class of commodities which, though not necessaries, are largely consumed, and in which many consumors include when the articles are cheap and economize when they are dear But it more frequently happens that when a commodity falls in price, less money is spent in it than before greater quantity is consumed, but not so great a value The consumer who saves money by the cheapness of the article, will be likely to expend part of the saving in increasing his consumption of other things and unless the low price attracts a large class of new purchasers who were either not consu mers of the article at all, or only in eriall quantity and occasionally, a leas aggregate sum will be expended on it Speaking generally, therefore, the third of our three cases is the most probable and an improvement in an exportable article is likely to be as beneficial (if not more beneficial) to foreign countries, as to the country where the article is produced.

§ 6 Thus far had the theory of in ternational values been carried in the first and eccond editions of this work But intelligent criticisms (chiefly those of my friend Mr. Wilnam Thernton) and subsequent further investigation have shown that the doctrine stated in the preceding pages, though correct as far as it goes, is not yet the complete

theory of the subject matter

It has been shown that the exports and imports between the two countries (or, if we suppo e more than two, between each country and the world) must in the aggrerate pay for each other, and must therefore be exchanged for one another at such values as will be compatible with the equation of international demand. That this, however, does not furnish the complete law of the phenomenon, appears from the following consideration that several different rates of international value may all equally fulfil the conditions of this law.

The supposition was, that England could produce 10 yards of cloth with the same labour as 15 of linen, and Germany with the same labour as 20 of linen, that a trade was opened between the two countries, that England thenceforth confined her production to cloth, and Germany to linen, and, that if 10 yards of cloth should thenceforth exchange for 17 of linen, England and Germany would exactly supply each other's demand that, for instance, if Ingland wanted at that price 17,000 yards of linen, Germany would want exactly the 10,000 pards of cloth, which, at that price, England would be required to give for the linen Under these suppositions it appeared, that 10 cloth for 17 linen, would be, in point of fact, the international values

But it is quite possible that some rother rate, such as 10 cloth for 18 linen, might also fulfil the conditions of the equation of international demand. Suppose that at this last rate, England would want more linen than at the rate of 10 for 17, but not in the ratio of the cheapness, that she would not want the 18,000 which she could now buy inith 10,000 jards of cloth, but would be content with 17,500, for which she would pay (at the new rate of 10 for 18) 9722 yards of cloth Germany, again, having to pay dearer for cloth than when it could be bought at 10 for 17, would probably reduce her con sumption to an amount below 10,000

yards, perhaps to the very same num ber, 9722 Under these conditions the Equation of International Demand would still exist Thus, the rate of 10 for 17, and that of 10 for 18, would equally satisfy the Equation of Demand and many other rates of interchange might satisfy it in like manner It is conceivable that the conditions might be equally satisfied by every nu merical rate which could be supposed There is still, therefore, a portion of indeterminateness in the rate at which the international values would adjust thomselves, showing that the whole of the influencing circumstances can not yet have been taken into the account

§ 7 It will be found that to supply this deficiency, we must take into consideration not only, as we have already done, the quantities demanded in each country, of the imported commodities but also the extent of the means of supplying that demand, which are set at hierty in each country by the change in the direction of its industry

To illustrate this point it will be necessary to choose more convenient numbers than those which we have hitherto employed Let it be supposed that in England 100 yards of cloth, previously to the trade, exchanged for; 100 of linen, but that in Germany 100 of cloth exchanged for 200 of linear When the trade was opened, England would supply cloth to Germany, Germany linen to England, at an exchange value which would depend partly ou the element already discussed, viz the comparative degree in which, in the two countries, increased cheapness operates in increasing the demand, and partly on some other element not jet taken into account. In order to isolate this unknown element, it will be necessary to make some definite and invariable supposition in regard to the known element. Let us therefore as sume, that the influence of cheapness on demand conforms to some simple law, common to both countries and to both commodities As the simplest and most convenient, let us suppose that in both countries any given in

crease of cheapness produces an exactly proportional increase of consumption or, in other words, that the value expended in the commodity, the cost incurred for the sake of obtaining it, 18 always the same, whether that cost affords a greater or a smaller quantity

of the commodity Let us now suppose that England, previously to the trade, required a million of yards of linen, which were worth, at the English cost of production, a million yards of cloth turning all the labour and capital with which that linen was produced, to the production of cloth, she would produce for exportation a million yards of Suppose that this is the exact quantity which Germany is accus-England can distomed to consume nose of all this cloth in Germany at the German price, she must consent indeed to take a little less until she has driven the German producer from the market, but as soon as this is effected. she can sell her million of cloth for two millions of linen, being the quantity that the German clothiers are enabled to make, by transferring their whole labour and capital from cloth to linen Thus England would gain the whole benefit of the trade, and Germany This would be perfectly con nothing sistent with the equation of international demand since England (according to the hypothesis in the preceding paragraph) now requires two millions of linen (being able to get them at the same cost at which she previously obtained only one), while the prices in Germany not being altered, Germany requires as before exactly a million of cloth, and can obtain it by employing the labour and capital set at liberty from the production of cloth, in producing the two millions of linen required by England

Thus far, we have supposed that the additional cloth which England could [make, by transferring to cloth the whole of the capital previously em ploved in making linen, was exactly sufficient to supply the whole of Germany's existing demand. But suppose

Suppose that while England could make with her liberated capital a million yards of cloth for exportation, the cloth which Germany had hereto fore required was 800,000 yards only, equivalent at the German cost of production to 1,600,000 yards of linen England therefore could not dispose of a whole million of cloth in Germany at the German prices Yet she wants, whether cheap or dear (by our supposition), as much linen as can be bought for a million of cloth and since this can only be obtained from Germany, or by the more expensive process of production at home, the holders of the milnon of cloth will be forced by each other's competition to offer it to Germany on any terms (short of the English cost of production) which will induce Germany to take the whole What terms these would be, the supposition we have made enables us exactly to define The 800,000 yards of cloth which Germany consumed. cost her the equivalent of 1,600,000 linen, and that invariable cost is what she is willing to expend in cloth, whether the quantity it obtains for her be more or less England, therefore, to induce Germany to take a mil hon of cloth, must offer it for 1,600,000 of linen The international values will thus be 100 cloth for 160 linen, intermediate between the ratio of the costs of production in England and that of the costs of production Germany and the two countries will divide the benefit of the trade, England gaining in the aggregate 600,000 yards of linen, and Germany being richer by 200,000 additional yards of cloth

Let us now stretch the last supposition still farther, and suppose that the cloth previously consumed by Germany was not only less than the million yards which England is enabled to furnish by discontinuing her production of linen, but less in the full proportion of England's advantage in the production, that is, that Germany only required half a million In this case. by ceasing altogether to produce cloth, Germany can add a million, but a next that it is more than sufficient. I million only, to her production of linen,

and this million being the equivalent of what the half million previously cost her, is all that she can be induced by any degree of cheapness to expend in cloth. England will be forced by her own competition to give a whole million of cloth for this million of linen. just as she was forced in the preceding case to give it for 1,600,000 Lugland could have produced at the same cost a million yards of linen for herself | Fingland therefore derives, in this case, no advantage from the international trade Germany guns the obtaining a million of cloth instead of half a million, at what the half million previously cost her many, in short, is, in this third case, exactly in the same situation as Eng. land was in the first case, which may easily be verified by reversing the figures

As the general result of the three cases, it may be laid down as a theorem, that under the supposition we have made of a demand exactly in propor tion to the cheapness, the law of international value will be as follows—

The whole of the cloth which England can make with the capital pre viously devoted to linen, will exchange for the whole of the linen which Germany can make with the capital pre viously devoted to cloth

Or, Still more generally,

The whole of the commodities which the two countries can respectively make for expertation, with the labour and capital thrown out of employment by importation, will exchange against one another

This law, and the three different possibilities arising from it in respect to the division of the advantage, may be conveniently generalized by means of algebraical symbols, as follows—

Let the quantity of cloth which England can make with the labour and capital withdrawn from the production of linen, be = n

Let the cloth previously required by Germany (at the German cost of production) be = m

Then n of cloth will always exchange for exactly 2m of linen.

Consequently if n = m, the whole advantage will be on the side of Lng-land

If n = 2m, the whole advantage will be on the side of Germany

If n be greater than m, but less than 2m, the two countries will share the advantage, England getting 2m of linen where she before got only n, Germany getting n of cloth where she before got only m

It is almost superfluous to observe that the figure 2 stands where it does, only because it is the figure which expresses the advantage of Germany over England in linen as estimated in cloth, and (what is the same thing) of England over Germany in cloth as estimated in linen If we had supposed that in Germany, before the trade, 100 of cloth exchanged for 1000 instead of 200 of linen, then n (after the trade commenced) would have exchanged for 10m instead of 2m If instead of 1000or 200 we had supposed only 150, n would have exchanged for only $\frac{3}{2}m$

If (in fine) the cost value of cloth (as estimated in linen) in Germany, exceeds the cost value similarly estimated in England, in the ratio of p to q, then will n, after the opening of the trade,

exchange for $\frac{p}{q}m$

§ 8 We have now arrived at what seems a law of International Values, of great simplicity and generality But we have done so by setting out from a

* It may be asked why we have supposed the number n to have as its extreme limits, m and 2m (or \mathbb{Z}_m)? why may not n be less

than m or greater than 2m, and if so, what will be the result?

this we shall now examine and when we do so it will appear that n is always, practically speaking, confined within these limits

Suppo.e for example that n is less than m, or, reverting to our former figures that the million yards of cloth which England can make, will not satisf, the whole of Germany s pre-existing demand that demand being (let us suppose) for 1 200,000 vards. It would then at first sight, appear that England would supply Germany with cloth up to the extent of a million, that Germany would continue to supply herself with the remaining 200,000 by home production; that this

purely arbitrary hypothesis respecting the relation between demand and cheapness We have assumed their relation to be fixed though it is essen We have supposed tially variable that every increase of cheapness produces an exactly proportional extension of demand, in other words, that the same invariable value is laid out in a commodity whether it be cheap or dear, and the law which we have investigated holds good only on this hypo thesis, or some other practically equivalent to it Let us now, therefore, combine the two variable elements of the question, the variations of each of which we have considered sepa I et us suppose the relation between demand and cheapness to vary, and to become such as would prevent the rule of interchange laid down in the last theorem from satisfying the conditions of the Equation of International Demand I et it be supposed, for instance, that the demand

portion of the supply would regulate the price of the whole; that England therefore would be able permanently to sell her million of cloth at the German cost of production (viz. for two millions of linen) and would gain the will ole advantage of the trade, Germany being no heter off than before

That such, however would not be the ractical result will soon be evident. The practical result will soon be evident. The residuary demand of Germany for 200 000 yards of cloth furni hes a resource to Engand for purposes of foreign trade of which it is still her interest to avail herself, and though she has no more labour and capital which she can withdraw from linen for the production of this extra quantity of cloth, there must be some other commodities in which Germany has a relative advantage over her (though perhaps not so great as in linen) these she will now import instead of producing and the labour and capital for producing and the moduling them will be transferred to cloth until the required amount is made up. If this transfer just makes up the 200 000 and no more, this aug mented n will now be equal to m, England will sell the whole 1 200 000 at the (erman values and will still gain the whole advan tage of the trade But if the transfer makes up more than the 200 000 England will have more cloth than 1,200 000 yards to offer nwill become greater than m and England must part with enough of the advantage to induce Germany to take the surplus Thus the case which seemed at first sight to be beyond the limits is transformed practically into a case either coinciding with one of the limits, or between them And so with every other care which can be supposed.

of Fugland for linen is exactly propor tional to the cheapness, but that of Germany for cloth, not proportional To revert to the second of our three cases, the case in which England by discontinuing the production of linear could produce for exportation a million yards of cloth, and Germany by ceasing to produce cloth could produce an additional 1,600,000 yards of linen. If the one of these quantities exactly exchanged for the other, the demand of England would on our present supposition be exactly satisfied, for she requires all the linen which can be got for a million yards of cloth but Ger many perhaps, though she required 800,000 cloth at a cost equivalent to 1,600 000 linen, yet when she can get a million of cloth at the same cost, may not require the whole million, or may require more than a million let her not require so much, but only as much as she can now buy for 1,500,000 linen England will still offer a million for these 1,500,000, but even this may not induce Germany to take so much as a million, and if Figland continues to expend exactly the same aggregate cost on linen whatever be the price, she will have to submit to take for her million of cloth any quantity of linen (not less than a million) which may be requisite to induce Germany to take a million of Suppose this to be 1,400,000 yards England has now reaped from the trade a gain not of 600,000 but, only of 400,000 yards, while Germany, having obtained an extra 200,000 yards of cloth, has obtained it with only seven eighths of the labour and capital which she previously expended in supplying herself with cloth, and may expend the remainder in increasing her own consumption of linen, or of any other commodity

Suppose on the contrary that Germany, at the rate of a million cloth for 1,600,000 linen, requires more than a million yards of cloth England having only a million which she can give without trenching upon the quantity she previously reserved for herself, Germany must bid for the extra cloth at a higher rate than 160 for 100,

nutil she reaches a rate (say 170 for 100) which will either bring down her own demand for cloth to the himt of a rullion, or else tempt England to part with some of the cloth she previously consumed at home

Let us next suppose that the proportionality of demand to cheapness, in-tend of holding good in one country but not in the other, does not hold good in either country, and that the deviation is of the same kind in both. that, for instance, neither of the two merenses its demand in a degree equivalent to the increase of cheapness On this supposition, at the rate of one million cloth for 1,600,000 linen, England will not want so much as 1,600,000 lunn, nor Germany so much as a million cloth and if they fall short of that amount in exactly the same degree, if England only wants linen amount of nine tenths 1,600,000 (1,440,000), and Germany only nine hundred thousand of cloth, the interchange will continue to take place at the same rte And so if Lugland wants a tenth more than 1,600,000, and Germany a tenth more than a million This coincidence (which, it is to be observed, supposes demand to extend cherpness in a cor responding, but not in an equal degree*) evidently could not exist unless by mere accident and in any other case, the equation of international demand would require a different adjustment of international values

The only general law, then, which can be laid down, is this. The values at which a country exchanges its produce with foreign countries depend on two things first, on the amount and extensibility of their demand for its commodities, compared with its demand for theirs, and secondly, on the capital which it has to spare, from the production of domestic commodities

for its own consumption. The more the foreign demand for its commodities exceeds its demand for foreign commo dities, and the less capital it can spare to produce for foreign markets, compared with what foreigners spare to produce for its markets, the more favourable to it will be the terms of interchange that is, the more it will obtain of foreign commodities in return for a given quantity of its own

But these two influencing circumstances are in reality reducible to one for the capital which a country has to spare from the production of domestic commodities for its own use, is in proportion to its own demand for foreign commodities whatever proportion of its collective income it expends in pur chases from abroad, that same propor tion of its capital is left without a home market for its productions The new element, therefore, which for the sake of scientific correctness we have introduced into the theory of international values, does not seem to make any very material difference in the practical It still appears, that the countries which carry on their foreign trade on the most advantageous terms, are those whose commodities are most in demand by foreign countries, and which have themselves the least demand for From which, foreign commodities among other consequences, it follows, that the richest countries, cuteris paribus, gain the least by a given amount of foreign commerce since, having a greater domand for commodities generally, they are likely to have a greater demand for foreign commodities, and thus modify the terms of interchange to their own disadvantage. Their aggregate gains by foreign trade, doubtless, are generally greater than those of poorer countries, since they carry on a greater amount of such trade, and gain the benefit of cheapness on a larger consumption but their gain is less on each individual article conanmed

§ 9 We now pass to another essential part of the theory of the subject. There are two senses in which a coun

^{*} The increase of demand from 800 000 to \$90,000, and that from a million to 1,440,000, are neither equal in themselves, nor bear an equal proportion to the increase of cheapness Germany's demand for cloth has increased one-eighth, while the cheapness is increased one fourth. Fugland's demand for linen is increased 44 per cent, while the cheapness is increased to per cent.

try obtains commodities cheaper by foreign trade, in the sense of Value, and in the sense of Cost It gets them cheaper in the first sense, by their falling in value relatively to other the same quantity of them things exchanging, in the country, for a smaller quantity than before of the other produce of the country To revert to our original figures, in Ingland, all consumers of linen obtained, after the trade was opened, 17 or some greater number of yards for the same quantity of all other things for which they before obtained only 15 degree of cheapness, in this sense of the term, depends on the laws of International Demand, so copiously illus trated in the preceding sections in the other sense, that of Cost, a country gets a commodity cheaper, when it obtains a greater quantity of the commodity with the same expen diture of labour and capital sence of the term, cheapness in a great measure depends upon a cause of a different nature a country gets its imports cheaper, in proportion to the gene ral productiveness of its domestic in dustry, to the general efficiency of its labour The labour of one country may be, as a whole, much more effi cient than that of another all or most of the commodities capable of bring produced in both, may be produced in one at less absolute cost than in the other, which, as we have seen, will not necessarily prevent the two coun tries from exchanging commodities. The things which the more favoured country will import from others, are of course those in which it is least superior, but by importing them it arquires, even in those commodities, the same advantage which it possesses in the articles it gives in exchange for Thus the countries which obtain their own productions at least cost, also get their imports at least

This will be made still more obvious if we suppose two competing countries England sends cloth to Germany, and gives 10 yards of it for 17 yards of linen, or for something else which in Germany is the equivalent of those

Another country, as for ex-17 vards ample France, does the same The one giving 10 vards of cloth for a certain quantity of German commodities, so must the other if, therefore, in England, these 10 yards are produced by only half as much labour as that by which they are produced in France, the linen or other commodities of Germany will cost to England only half the amount of labour which they will cost to France England would thus obtain her imports at less cost than France, in the ratio of the greater cfliciency of her labour in the production of cloth which might be taken, in the case supposed, as an approximate estimate of the efficiency of her labour generally, since France, as well as Lingland, by selecting cloth as her article of export, would have shown that with her also it was the commodity in which labour was relatively tho most efficient. It follows, therefore. that every country gets its imports at has cost, in proportion to the general efficiency of its labour

This proposition was first clearly seen and expounded by Mr Senior,* but only as applicable to the importation of the precious metals I think it important to point out that the proposition holds equally true of all other im ported commodities, and further, that! it is only a portion of the truth in the case supposed, the cost to Eng land of the linen which she pays for with ten vards of cloth, does not depend solely upon the cost to herself of ten yards of cloth, but partly also upon how many yards of linen she obtains in exchange for them. What her im ports cost to her is a function of two variables, the quantity of her own commodities which she gives for them, and the cost of those commodities. these, the last alone depends on the efficiency of her labour the first depends on the law of international values, that is, on the intensity and extensibility of the foreign demand for her commodities, compared with her demand for foreign commodities

in the case just now supposed, of * Three Lectures on the Cost of Obtaining

Money

e competition between England and France, the state of international values affected both competitors alike, since they were supposed to trade with the same country, and to export and import the same commodities difference, therefore, in what their im ports cost them, depended solely on the other cause, the unequal efficiency They gave the same of their labour quantities, the difference could only be in the cost of production But if England traded to Germany with cloth, and I'mnee with iron, the comparative demand in Germany for those two commodities would bear a share in deter-

mining the comparative cost, in labour and capital, with which England and France would obtain German products If iron were more in demand in Ger many than cloth, France would recover through that channel, part of her dis advantage, if less, her disadvantage The efficiency, would be increased therefore, of a country's labour, is not the only thing which determines even the cost at which that country obtains imported commodities-while it has no share whatever in determining either their exchange value, or, as we shall presently see, their price.

CHAPTER XIX.

OF MONEY, CONSIDERED AS AN IMPORTED COMMODITY

\$ 1 The degree of progress which we have now made in the theory of Foreign Trade, puts it in our power to supply what was previously deficient in our view of the theory of Money, and this, when completed, will in its jurn enable us to conclude the subject of Foreign Tride

Money, or the material of which it is composed, is, in Great Britain, and in most other countries, a foreign commodity. Its value and distribution must therefore be regulated, not by the law of value which obtains in adjacent places, but by that which is applicable to imported commodities—the law of International Values

In the discussion into which we are now about to enter, I shall use the terms Money and the Precious Metals indiscriminately. This may be done without leading to any error, it having been shown that the value of money, when it consists of the precious metals, or of a paper currency convertible into them on demand, is entirely governed by the value of the metals themselves from which it never permanently differs, except by the expense of comage when this is paid by the individual and not by the state

Money is brought into a country in 4 two different ways. It is imported, (chiefly in the form of bullion) like any other merchandize, as being an advan tageous article of commerce. It is also imported in its other character of a medium of exchange, to pay some debt? due to the country, either for goods exported or on any other account. There are other ways in which it may be introduced casually, these are the two in which it is received in the ordinary course of business, and which deter mine its value. The existence of these two distinct modes in which money flows into a country, while other commodities are habitually introduced only: in the first of these modes, occasions somewhat more of complexity and obscurity than exists in the case of other? commodities, and for this reason only; is any special and minute exposition! песеьвату

§ 2 In so far as the precious metals are imported in the ordinary way of commerce, their value must depend on the same causes, and conform to the same laws, as the value of any other foreign production. It is in this mode chiefly that gold and silver diffuse the control of th

seives from the mining countries into [all other parts of the commercial world They are the staple commolities of those countries, or at least are among their great articles of regular export, and are shipped on speculation, in the same manner as other export thle com-The quantity, therefore, modifies. which a country (say England) will give of its own produce, for a certain quantity of bullion, will depend, if we suppose only two countries and two commodities, upon the demand in Eng land for bullion, compared with the demand in the mining country (which we will call Brazil) for what England They must exchange in has to give such proportions as will leave no un satisfied demand on either side, to alter values by its competition. The bullion required by England must exactly pay for the cottons or other highish com modities required by Brazil. If, however, we substitute for this simplicity the degree of complication which really exists, the equation of international demand must be established not be tween the bullion wanted in England and the cottons or broadcloth wanted in Brazil, but between the whole of the imports of England and the whole of The demand in foreign her exports countries for English products, must be brought into equilibrium with the demand in England for the products of foreign countries, and all foreign commodities, bullion among the rest, must be exchanged against English products in such proportions, as will, by the effect they produce on the de mand, establish this equilibrium There is nothing in the peculiar

nature or uses of the precious metals, which should make them an exception to the general principles of demand So far as they are wanted for purposes of laxury or the arts, the demand in creases with the cheapness, in the same irregular way as the demand for any other commodity So far as they are required for money, the demand increases with the cheapness in a perfertly regular way, the quantity needed boing always in inverse proportion to the value This is the only real dif ference, in respect to demand, between

money and other things, and for the present purpose it is a difference alto-

gether immaterial Money, then, if imported solely as a \ merchandize, will, like other imported i commodities, be of lowest value in the countries for whose exports there is the greatest foreign demand, and which have themselves the least demand for foreign commodities. To these two cir i cumstances it is honover nece sary to add two others, which produce their effect through cost of carriage cost of obtaining bullion is compounded of two elements, the goods given to purchase it, and the expense of transport. of which last, the bullion countries will bear a part (though an uncortain) part) in the adjustment of international values. The expense of transport is partly that of carrying the goods to the bullion countries, and partly that of bringing back the bullion both these items are influenced by the distance from the mines, and the former is also much affected by the bulkiness of the Countries whose experiable goods produce consists of the finer manufactures, obtain bullion, as well as all

export rothing but bulky raw produce. To be quite accurate, therefore, we must say—The countries whose exportable productions are most in demand abroad, and contain greatest value in smallest bulk, which are nearest to the mines, and which have least demand for foreign productions, are those in which money will be of (lowest value, or in other words, in which prices will habitually range the highest If we are speaking not of the value of money, but of its cost (that is, the quantity of the country's labour which must be expended to obtain it), we must add to these four conditions of cheapness a fifth condition, namely, L "whose productive industry is the most efficient 37 This last, however, does not at all affect the value of money estimated in commodities nt affects the general abundance and facility

other foreign articles, cateris paribus,

at less expense than countries which

with which all things, money and commodities together, can be obtained / Although, therefore, Mr Senior is

right in pointing out the great efficiency of Inglish labour as the chief emise fally the precious metals are obtained fat here ever by Ingland than by most fother countries, I cannot a limit that it at all accounts for their being of has ratur, for their going less for in the in whase of commodity . This, in so far rait is a fact, and not in illision, must be occasioned by the great demand in Dail in countries for the simple commodities of Lugland, and the generally unlinkly character of those o min aliti i, e inpared with the corn, wine, timiter, somar, wood hides, ta low, herry, tax, telucco, raw cotton, &o., which form the exports of other com-There ino courses mercial countries will account for a comewhat higher range of general prices in Ungland than clewhere, notwithstanding the counternating influence of her own great at mand for foreign commodities. I am, however, strongly of opinion that the high prices of commodities and low purchasing power of money in I unland, are more apparent than real Food, indeed, is somewhat device, and fight composes so large a portion of the expenditure when the income is small and the family large, that to such families Lagland is a dear country bervices, also, of most de crip ions are dearer than in the other countries of I prope, from the less costly mode of hving of the poorer classes on the Continent. But manufactured commodities (except most of those in which good taste is required) are decidedly theaper, or would be so, if buyers rould be content with the same quality of material and of workmanship is called the dearness of living in Lugland, is mainly an affair not of peccenty but of foolish custom, it being thought imperative by all classes in England above the condition of a daylabourer, that the things they consume should either be of the same quality with those used by much richer people, or at least should be as nearly as possible undistinguishable from them in outward appearance

tions, it appears that those are greatly, countries England might export no

in error who contend that the value of money, in countries where it is an ! imported commodity, must be entirely regulated by its value in the countries which produce it, and cannot be raised or lowered in any permanent manner unless some change has taken place in the cost of production at the mines Or the contrary, any circumstance: which disturbs the equation of international demand with respect to a particular country, not only may, but must, affect the value of money in that country-its value at the mines re The opening off maining the same a n w branch of export trade from Fugland, an increase in the foreign demand for I nalish products, either by the natural course of events or by the abrogation of duties, a check to the domind in lingland for foreign com molities, by the laying or of import duties in England or or export duties chowhere, these and all other events of similar tendency, would make the imports of England (bullion and other things taken together) no long r an equivalent for the exports, and the countries which take her exports would be object to offer their commodities, and bulli in among the rest, on cheaper terms, in order to re-establish the equation of demand and thus Ingland) wou dobtain money cheaper, and would acquire a generally higher range of Incidents the reverse of these would produce offects the reversewould reduce prices, or, in other words, ruse the value of the precious metals It must be observed, however, that, money would be thus raised in value; only with respect to home commodities ᠄ in relation to all imported articles it would remain as before, since their values would be affected in the same way and in the same degree with its own A country which, from any of the causes mentioned, gets money cheaper, obtains all as other imports cheaper likowise

It is by no means necessary that the increased demand for English commo dities, which enables England to supply herself with bullion at a cheapo \$ 3 From the preceding considera- | rate, should be a demand in the mining

thing whatever to those countries, and yet might be the country which obtained bullion from them on the lowest terms, provided there were a sufficient intensity of demand in other for ign countries for Enhlish goods, which would be paid for circuitously, with gold and silver from the mining countries The whole of its exports are what a country exchanges against the whole of I it and any country singly

its imports, and not its exports and imports to and from any one country, and the general foreign demand for its productions will determine what equi valent it must give for imported goods, in order to establish an equilibrium between its sales and purchases generally, without regard to the mainte nance of a similar equilibrium between

CHAPTER XX.

OF THE POREIGN EXCHANGES

§ 1 WE have thus far considered ! the precious metals as a commodity, imported like other commodities in the common course of trade, and have exammed what are the circumstances which would in that case determine their value But those metals are also unported in another character, that which belongs to them as a medium of exchange, not as an article of commerce, to be sold for money, but as themselves money, to pay a debt, or effect a transfer of property It romains to consider whether the liability of gold and silver to be transported from country to country for such purposes, in any way modifies the conclusions we have already arrived at, or places those metals under a different law of value from that to which, in common with all other imported commodities, they would be subject if international trade were an affair of direct barter

. Money is sent from one country to another for various purposes such as the payment of tributes or subsidies, remittances of revenue to or from dependencies, or of rents or other incomes to their absent owners, emigration of capital, or transmission of it for foreign investment. The most usual purpose, however, is that of pryment for goods To show in what circumstances money actually passes from country to country for this or any of the other purposes mentioned, it is necessary briefly to state the nature of the mechanism by

which international trade is carried on, when it takes place not by barter but through the medium of money

§ 2 In practice, the exports and imports of a country not only are not exchanged directly against each other, but often do not even pass through the same hands Each is separately bought and paid for with money We ha e seen, however, that, even in the same country, money does not actually pass from hand to hand each time that purchases are made with it, and still less does this happen between different countries The habitual mode of paying and receiving payment for commodities, between country and country, 15 by bills of exchange

A merchant in England, A, has exported English commodities, consigning them to his correspondent B in France Another merchant in France, C, has exported French commodities, suppose of equivalent value, to a merchant D in England. It is evidently unnecessary that B in France should send money to A in England, and that D in England should send an equal sum of money to C in France The one debt may be applied to the payment of the other, and the double cost and risk of carriage be thus saved. A draws a bill on B for the amount which B owes to him D, having an equal amount to pay in France, buys this bill from A. and sends it to C, who, at the expiration of the number of days which the bill has to run, presents it to B for payment. Thus the debt due from France to England, and the debt due from England to France, are both paid without sending an ounce of gold or silver from one country to the other

In this statement, however, it is supposed that the sum of the debts due from France to England, and the sum of those due from England to France, are equal, that each country has exactly the same number of ounces of gold or silver to pay and to receive This implies (if we exclude for the present any other international payments than those occurring in the course of commerce,) that the exports and imports exactly pay for one another, or in other words, that the equation of international demand is esta-When such is the fact, the international transactions are liquidated without the passage of any money from one country to the other But if there is a greater sum due from England to France, than is due from France to England, or vice versa, the debts cannot be simply written off against one another After the one has been applied, as far as it will go, towards covering the other, the balance must be transmitted in the precious metals In point of fact, the merchant who has the amount to pay, will even then pay for it by a bill When a person has a remittance to make to a foreign country, he does not lumself search for some one who has money to receive from that country, and ask him In this as in for a bill of exchange other branches of business, there is a class of middlemen or brokers, who bring buyers and sellers together, or stand between them, buying bills from those who have money to receive, and selling bills to those who have money to pay When a customer comes to a broker for a bill on When a customer Paris or Amsterdam, the broker sells to him, perhaps the bill he may himself have bought that morning from a merchant, perhaps a bill on his own correspondent in the foreign city and to enable his correspondent to pay, when due, all the bills he has granted, be remits to him all those which he has I

bought and has not resold. In this manner these brokers take upon themselves the whole settlement of the pecuniary transactions between distant places, being remunerated by a small commission or percentage on the amount of each bill which they either. sell or buy Now, if the brokers find that they are asked for bills on the one part, to a greater amount than bills are offered to them on the other, they do not on this account refuse to give them, but since, in that case, they, have no means of enabling the correspondents on whom their bills are drawn, to pay them when due, except by transmitting part of the amount in gold or silver, they require from those, to whom they sell bills an additional. price, sufficient to cover the freight and insurance of the gold and silver, with a profit sufficient to compensate them for their trouble and for the temporary occupation of a portion of their capital. This premium (as it is called) the buyers are willing to pay, because they must otherwise go to the expense of remitting the precious metals them selves, and it is done cheaper by those who make doing it a part of their es pecial business But though only some of those who have a debt to pay would have actually to remit money, all will be obliged, by each other's competition, to pay the premium, and the brokers are for the same reason obliged to pay reverse of all this happens, if on the comparison of exports and imports, the country, instead of having a balance to pay, has a balance to receive brokers find more bills offered to them than are sufficient to cover those which they are required to grant. Bills on foreign countries consequently fall to a discount, and the competition among the brokers, which is exceedingly active, prevents them from retaining this discount as a profit for themselves, and obliges them to give the benefit of it to those who buy the bills for the purposes of remittance

Let us suppose that all countries had the same currency, as in the progress of political improvement they one day will have and, as the most familiar to

BB9

the reader, though not the best, let us tauppose this currency to be the English When England had the same number of pounds sterling to pay to France, which France had to pay to her, one set of merchants in England would want bills, and another set would have bills to dispose of, for the very same number of pounds sterling, and consequently a bil on France for 1001 would sell for exactly 100L, or, in the phraseology of merchants, the exchange As Franco also, on would be at par this supposition, would have an equal number of pounds sterling to pay and to receive, bills on England would be at par in France, whenever bills on France were at par in Ingland

If, however, England had a larger sum to pay to France than to receive from her, there would be persons requiring bills on France for a greater number of pounds sterling than there were bills drawn by persons to whom money was due A bill on France for 1001 would then sell for more than 1001, and bills would be said to be at a premium. The premium, however, could not exceed the cost and risk of making the remittance in gold, togethe with a triling profit, because if 1 did, the debtor would send the gold itself, in preference to buying the bill

If, on the centrary, England had more money to receive from France than to pay there would be bills offered for a greater number of pounds than were wanted for remittance, and the prace of till's would fall below par a bill for 100' might be bought for somewhat less than 100', and bills would be and to be at a discount.

When In land has more to pay than to receive, Frince has more to receive than to pay and vice rerist. When, it refers, in Find and, bills on I rance hear a premium then, in France, bills on France at a discount and when tills on France are at a discount in In, and fills on England are at a permium in Irance. It they are at the remaining in their country, they are so, as are have already seen, in both

Thus do r a ters stard between 1011 discoveries. The countries or pianes, which have the taken rold and silver san currency to much of bat harram, I it will undinately rest.

however, still remains in the transactions of the most civilized nations that almost all independent countries choose to assert their nationality by having to their own inconvenience and that of their neighbours, a peculiar currency of their own. To our present purpose this makes no other difference, than that instead of speaking of equal sums of money, we have to speak of equira-By equivalent sums, when lent sums both currencies are composed of the same metal, are meant sums which contain exactly the same quantity of the metal, in weight and fineness, but when, as in the case of France and England, the metals are different, what is meant is that the quantity of gold in the one sum, and the quantity of silver in the other, are of the same value in the general market of the world there being no material difference between one place and another in the relative value of these metals. Suppose 25 france to be (as within a trilling frac tion it is) the equivalent of a pound sterling The debts and credits of the two countries would be equal, when the one owed as many times 25 francs, as the other owed pounds When this was the case, a bill on France for 2500 francs would be worth in England 1101, and a bill on England for 100L would be worth in France 2500 france The exchange is then said to be at par and 25 francs (in reality 25 francs and a trifle more) is called the par of . exchange with France When England; ewed to France more than the equival lent of what I rance owed to her, a bill for 2500 francs would be at a premium, that is, would be worth more than 1001! When France owed to England more than the equivalent of what Ingland! owed to France, a bill for 2500 france; would be worth less than 1001, or would be at a discount

When tills on foreign countries are at a premium, it is customary to say that the exchanges are against the country or unlayourable to it. In order

Written before the change in the relative value of the two metals produced by the gold decoreries. The part of exchange latest produced and efficient currencles is now that let, and meme can fore cost what point will unimately rest.

to under-tand these phrases, we must take notice of what "the exchange," in the language of merchants, rally means. It means the power which the money of the country has of purchasing the money of other countries poung 25 francs to be the exact par of exchange, then when it requires more than 1001 to buy a bill for 2500 francs. 100l of English money are worth less than their real equivalent of Irench money and this is called, an exchange unfavourable to England. The only persons in Figland, however, to whem it is really un avourable, are those who have money to pay in France, for they come into the bill market as buyers, and have to pay a premium but to those who have mener to receive in France, the same state of things is favourable, for they come as sellers, and receive the premium The pre mum, however, indicates that a balance is due by England, which might have to be eventually liquidated in the precious metals and since, according to the old theory, the benefit of a trade consisted in bringing money into the country, this prejudice introduced the practice of calling the exchange favourable when it indicated a balance to receive, and unfavourable when it indicated one to pay and the phrases in turn tended to maintain the prejudice

i § 3 It might be supposed at first sight that when the exchange is unfavourable, or in other words, when bills are at a premium, the premium "must always amount to a full equivalent for the cost of transmitting since, as there is really a balance to pay, and as the full cost must therefore be incurred by some of those who have remittances to make, their competition will compel all to submit to an equivalent specifice And such would certainly be the case, if it were always necessary that whatever is destined to be plud should be paid ammed ately The expectation of great and immediate foreign payments some times produces a most startling effect on the exchanges * But a small excess

On the news of Bonsparte's landing from Elis, the price of bills advanced in one day

of imports above exports, or any other small amount of debt to be paid to foreign countries, does not usually affect the exchanges to the full extent of the cost and risk of transporting bullion The length of credit allowed, generally permits, on the part of some of the debtors, a postponement of payment, and in the mean time the balance may turn the other way, and restore the equality of debts and credits without any actual transmission of the metals And this is the more likely to happen, as there is a self adjusting power in the variations of the exchange itself Bills are at a premium because a greater money value has been im ported than exported But the premium is itself an extra profit to those who export Besides the price they obtain for their goods, they draw for the amount and gain the premium It is, on the other hand, a diminution of profit to those who import Besides the price of the goods, they have to pay a premium for remittance that what is called an unfavourable exchange is an encouragement to export, and a discouragement to import. And if the balance due is of small amount, and is the consequence of some merely casual disturbance in the ordinary course of trade, it is soon liquidated in commodities, and the account adjusted by means of bills, without the transmission of any bullion Not so, however, when the excess of imports above exports, which has made

as much as ten per cent. Of course this pre mium was not a mere equivalent for cost of carriage, since the freight of such an article as gold, even with the addition of war in surance, could never have amounted to so much. This great price was an equivalent not for the difficulty of sending gold, but for the anticipated difficulty of procuring it to send, the expectation being that there would be such immense remittances to the Continent in subsidies and for the support of armies, as would press hard on the stock of bultion in the country (which was then en tirely denuded of specie), and this, too, in a shorter time than would allow of its being Accordingly the price of bul replenished lion rose likewise, with the same suddenness It is hardly necessary to say that this took place during the Bank restriction In a con vertible state of the currency, no such thing could have occurred until the Bank stopped payment.

the exchange unfavourable, arises from a permanent cause In that case, what disturbed the equilibrium must have been the state of prices, and it can only be restored by acting on prices It is impossible that prices should be such as to invite to an excess of im ports, and yet the exports should be kept permanently up to the imports by the extra profit on exportation derived from the premium on bills, for if the exports were kept up to the imports, bills would not be at a premium, and the extra profit would not exist It is through the prices of commodities that the correction must be administered.

Disturbances, therefore, of the equilibrium of imports and exports, and consequent disturbances of the exchange, may be considered as of two classes, the one casual or accidental, which, if not on too large a scale, correct themselves through the premium on bills, without any transmission of the precious metals the other ansing from the general state of prices, which cannot be corrected without the subtraction of actual money from the cultion of one of the countries, or an annihilation of credit equivalent to it,

since the mere transmission of bullion (as distinguished from money), not having any effect on prices, is of no avail to abate the cause from which the disturbance proceeded

It remains to observe, that the exchanges do not depend on the balance of debts and credits with each country separately, but with all countries taken together England may owe a balance of payments to Frince, but it does not follow that the exchange with I rance will be against England, and that bills on France will be at a premium, be cause a balance may be due to England from Holland or Hamburgh, and she may pay her debts to France with bills on those places, which is technically called arbitration of exchange There is some little additional expense, partly commission and partly loss of interest, in settling debts in this circuitous manner, and to the extent of that small difference the exchange with one country may vary apart from that with others, but in the main, the exchanges with all foreign countries vary together, according as the country has a balance to receive or to pay on the general result of its foreign transac-

CHAPTER XXI.

OF THE DISTRIBUTION OF THE PRECIOUS METALS THROUGH THE COMMERCIAL WORLD

\$ 1 HAVING now examined the mechanism by which the commercial transactions between nations are actually conducted, we have next to in quire whether this mode of conducting them makes any difference in the conclusions respecting international values, which we previously arrived at on the hypothesis of barter

The nearest analogy would lead us to presume the negative We did not that the intervention of money and its substitutes made any difference in the law of value as applied to adjacent places. Things which would have been

equal in value if the mode of exchange had been by barter, are worth equal sums of money The introduction of money is a mere addition of one more commodity, of which the value is regulated by the same laws as that of all other commodities We shall not be surprised, therefore, if we find that in ternational values also are determined by the same causes under a money and bill system, as they would be under a system of barter, and that money has little to do in the matter, except to furnish a convenient mode of comparing values.

All interchange is, in substance and effect, barter whoever sells commodities for money, and with that money buys other goods, really buys those goods with his own commodities And so of nations their trade is a mere exchange of exports for imports, and whether money is employed or not, things are only in their permanent state when the exports and imports exactly pay for each other this is the case, equal sums of money are due from each country to the other, the debts are settled by bills, and there is no balance to be paid in the precious The trade is in a state like that which is called in mechanics a condition of stable equilibrium

But the process by which things are brought back to this state when they happen to deviate from it, is, at least outwardly, not the same in a barter system and in a money system Under the first, the country which wants more imports than its exports will pay for, must offer its experisat a cheaper rate, as the sole means of creating a demand for them sufficient to re-establish the equilibrium When money is used, the country seems to do a thing totally dif-She takes the additional imports at the same price as before, and as she exports no equivalent, the bilinco of payments turns against her, the exchange becomes unfavourfable, and the difference has to be paid in money This is in appearance a very distinct operation from the former Het us see if it differs in its essence, or only in its mechanism

Let the country which has the balance to pay be England, and the country which receives it, France By this transmission of the precious metals, the quantity of the currency is diminished in England, and increased in This I am at liberty to as-As we shall see hereafter, it sume would be a very erroneous assumption if made in regard to all payments of international balances A balance which has only to be paid once, such as the payment made for an extra importation of corn in a season of dearth, may be paid from hoards, or from the reserves of bankers, without acting on the cir-

But we are now supposing; culation that there is an excess of imports over? exports, arising from the fact that the equation of international demand is not yet established that there is at the ordinary prices a permanent demand in England for more French goods than the English goods required in France at the ordinary prices will pay for When this is the case, if a change were not made in the prices, there would be a perpetually renewed balance to be paid in money The imports require to be permanently diminished, or the exports to be increased, which can only be accomplished through prices, and hence, even it the balances are at first paid from hoards, or by the exportation of bullion, they will reach the circulation at last, for until they do, nothing can stop the drain

When, therefore, the state of prices. is such that the equation of international demand cannot establish itself, the country requiring more imports than can be paid for by the exports, it is a sign that the country has more of the precious metals or their substitutes, in circulation, than can permanently circulate, and must necessarily part with some of them before the balance can be restored The currency is accordingly contracted prices fall, and among the rest, the prices of exportable articles, for which, accordingly, there anses, in foreign countries, a greater demand imported commodities have possibly risen in price, from the influx of money into foreign countries, and at all events have not participated in the general fall But until the increased cheapness of English goods induces foreign countries to take a greater pecuniary value, or until the increased dearness (positive or comparative) of foreign goods makes England take a less pecuniary value, the exports of England will be no nearer to paying for the imports than before, and the stream of the precious metals which had begun to flow out of England, will still flow on. This efflux will continue, until the fall of prices in England brings within reach of the foreign market some commodity which England did not previously send

the things which she did send, has forced a demand abroad for a sufficient quantity to pay for the imports, aided, perhaps, by a reduction of the English demand for foreign goods, through their enhanced price, either positive

or comparative Now this is the very process which took place on our original supposition Not only, therefore, does of barter the trade between nations tend to the same equilibrium between exports and imports, whether money is employed or not, but the means by which this equilibrium is established are essen The country whose tially the same exports are not sufficient to pay for her imports, offers them on cheaper terms, until she succeeds in forcing the necessary demand in other words, the Plequation of Internstional Demand, under a money system as Well as under a barter system, is the law of Every country 'international tride i vports and imports the very same things, and in the very same quantity, under the one system as under the billier. In a barter system, the trade gravitates to the point at which the sum of the imports exactly exchanges for the sum of the exports in a money system, it gravitates to the point at which the sum of the imports and the sum of the exports exchange for the same quantity of money And since things which are equal to the same thing are equal to one another, the t exports and imports which are equal in money price, would, if money were not used, precisely exchange for one another *

The subjoined extract from the separate I have previously referred to will give some as istance in following the course of the phenomena. It I adapted to the imaginary case uned for illustration throughout that Example to a of a trade between England and Germany in cloth and linen

"We may at first make whatever supposi

"We may at first make whatever suppost thon we will with respect to the value of money Let us suppose, therefore, that be fore the opening of the trade, the price of sloth is the same in both countries namely, six shillings per vard As 10 yards of cloth were supposed to exchange in England for 16 yards of linen in Germany for 20, we must suppose that linen is sold in England at four shillings per yard in Germany at three

§ 2 It thus appears that the law of international values, and, consequently, the division of the advantages of trade among the nations which carry it on, are the same on the supposition of money, as they would be in a state of barter In international, as in ordinary domestic interchanges, money is to commerce only what oil is to machinery, or railways to locomotion, & contrivance to diminish friction order still further to test these con clusions, let us proceed to re-examine, on the supposition of money, a question which we have already investigated on the hypothesis of barter, namely, to what extent the benefit of an improvement in the production of an exportable; article, is participated in by the countries importing it. The improvement may either consist.

nn the cheapening of some article which was already a staple production of the country, or in the establishment of some new branch of industry, or of some process rendering an article exportable which had not till then been exported at all It will be convenient to begin with the case of a new export, as being somewhat the simpler of the two

The first effect is that the article falls in price, and a demand arises for it abroad. This new exportation disturbs the balance, turns the exchanges, money flows into the country (which we shall suppose to be England), and continues to flow until prices rise. This higher range of prices will somewhat check the demand in foreign countries for the new article of export, and will diminish the demand which existed abroad for the other things which

Cost of carriage and importers profit are left, as before, out of consideration

"In this state of prices cloth it is evident, cannot yet be exported from England into Germany: but linen can be imported from Germany into he ngland. It will be so: and, in the first instance, the linen will be paid for in money

"The efflux of money from England, and its influx into Germany, will raise money prices in the latter country, and lower them in the former, Linen will rise in Germany above three shillings per yard and cloth above six shillings I inen in England, being imp "ted from Germany will (since cost of carriage is not reckoned) sink to the same price as in that country while cloth will fall

England was in the habit of exporting. The exports will thus be diminished, while at the same time the English public, having more money, will have a greater power of purchasing foreign commodities. If they make use of this

below six shillings. As soon as the price of cloth is lower in England than in Germany, As soon as the price of it will I cam to be exported, and the price of cloth in Germany will fall to what it is in Fugland As long as the cloth exported does not suffice to pay for the linen imported money will continue to flow from I ugland into Germany, and prices generally will continue to fall in Lugland and rice in Germany. By the fall however, of cloth in Lugland, cloth will fall in Germany also, and the demand for it will increase. By the rise of linen in Company linen must riso in England also, and the demand for it will diminish As cloth fell in price and linen rose there would be some particular price of both articles, at which the cloth exported and the linen imported would exactly pay for each other At this point prices would remain, because money would then cease to move out of England into Germany What this point might be, would entirely dopend upon the circumstances and inclinations of the purchasers on both sides the fall of cloth did not much increase the demand for it in Germany and the rise of linen did not diminish very rapidly the de mand for it in I ngland, much money must pass before the equilibrium is restored cloth would fall very much, and linen would rise, until I ngland, perhaps, had to pay nearly as much for it as when she produced it for her But if, on the contrary, the fall of cloth caused a very rapid increase of the demand for it in Germany, and the rise of linen in Germany reduced very rapidly the demand in England from what it was under the influence of the first cheapness produced by the opening of the trade; the cloth would very soon suffice to pay for the linen, little money would pass between the two countries, and England would derive a large portion of We have thus ar the benefit of the trade rived at precisely the same conclusion in supposing the employment of money, which we found to hold under the supposition of barter

In what shape the benefit accrues to the two nations from the trade is clear enough Germany, before the commencement of the trade, paid six shillings per yard for broad cloth; she now obtains it at a lower price This, however, is not the whole of her advantage. As the money prices of all her other commedities have risen, the money-incomes of all her producers have increased. This is no advantage to them in buying from each other because the price of what they have his risen in the same ratio with their means of paying for it; but it is an advantage to them in buying anything which has not risen, and, still more, anything which has fallen. They, therefore, benefit as consumers of cloth, not merely to the extent to

increased power of purchase, there will be an increase of imports, and by this, and the check to exportation, the equilibrium of imports and exports will be restored. The result to foreign countries will be; that they have to

which cloth has failen, but also to the extent to which other prices have risen. Suppose that this is one-tenth. The same proportion of their money incomes as before, will suffice to supply their other wants, and the remainder, being increased one tenth in amount will enable them to purchase one-tenth more cloth than before, even though cloth had not failen; but it has failen, so that they are doubly gainers. They purchase the same quantity with less money, and have more to expend upon their other wants.

"In Ingland, on the contrary, general money prices have fallen Linen, however, has fullen more than the rest, having been lowered in price by importation from a country where it was cheaper; whereas the others have fallen only from the consequent efflux of money Notwith-tanding therefore the general fall of money prices the Inglish producers will be exactly as they were in all other respects, while they will gain as purchasers of linen

"The greater the cflux of monoy required to restore the equilibrium the greater will be the gain of Germany, both by the fall of cloth and by the rise of her general prices. The less the efflux of money requisite, the greater will be the gain of I nuland, because the price of linen will continue lower and her general prices will not be reduced so much. It must not, however, be imagined that high money prices are a good, and low money prices an evil, in themselves. But the higher the general money prices in any country the greater will be that country's means of purchasing those commodities, which, being imported from abroad, are in dependent of the causes which keep prices high at home.

In practice the cloth and the linen would not, as here supposed, be at the same price in Ingland and in Germany each would be dearer in money price in the country which imported than in that which produced it, by the amount of the cost of carriage, together with the ordinary profit on the importer s capital for the average length of time which clapsed before the commodity could be disposed of But it does not follow that each country pays the cost of carriage of the com modity it imports; fr the addition of this item to the price may operate as a greater check to domaid on one side than on the other; and the equation of international demand, and consequent equilibrium of payments, may not be maintained. Money would then flow out of one country into the other until, in the manner already illustrated, the equilibrium was restored and, when this was effected, one country would be paving more than its own cost of carriage and the other less.

thay dearer than before for their other simports, and obtain the new commodity icheaper than before, but not so much theaper as England herself does I say this, being well aware that the article would be actually at the very same price (cost of carriage excepted) in l'ngland and in other countries. The cheapness, however, of the article is not measured solely by the moneyprice, but by that price compared with the money incomes of the consumers The price is the same to the English and to the foreign consumers, but the former pay that price from money in comes which have been increased by the new distribution of the precious metals, while the latter have had their money incomes probably diminished by the same cause The trade, therefore, has not imparted to the foreign con sumer the whole, but only a portion, of the benefit which the English con sumer has derived from the improve ment, while England has also benefited in the prices of foreign commodities Thus, then, any industrial improvement which leads to the opening of a new branch of export trade, benefits a country not only by the cheapness of the article in which the improvement thas taken place, but by a general cheapening of all imported products

Let us now change the hypothesis, and suppose that the improvement, instead of creating a new export from Ingland, cheapens an existing one 'When we examined this case on the supposition of barter, it appeared to us that the foreign consumers niight either obtain the same benefit from the improvement as England herself, or a less benefit, or even a greater benefit, according to the degree in which the consumption of the cheapened article is calculated to extend itself as the article diminishes in price The same con clusions will be found true on the supposition of money

Let the commodity in which there is an improvement, be cloth The first effect of the improvement is that its price falls, and there is an increased demand for it in the foreign market. But this demand is of uncertain amount. Suppose the foreign consumers to in- tion, 3rd ed p 143

crease their purchases in the exact ratio of the cheapness, or in other words, to lay out in cloth the same sum of money as before, the same aggregate payment as before will be due from foreign countries to England, the equilibrium of exports and imports will remain undisturbed, and foreigners will obtain the full advantage of the increased cheapness of cloth the foreign demand for cloth is of such a character as to increase in a greater, ratio than the cheapness, a laffer sum than formerly will be die to England for cloth, and when paid will ruise / English prices, the price of cloth ircluded, this rise, however, will affect only the foreign purchaser, Fuglish incoince being raised in a corresponding proportion, and the foreign consumer will thus derive a less advantage than England from the improvement If, on a the contrary, the cheapening of cloth does not extend the foreign demand for it in a proportional degree, a less sum j of debts than before will be due to England for cloth, while there will be the usual sum of debts due from England to foreign countries, the balanco of trade will turn against England, money will be exported, prices (that of cloth included) will fall, and cloth will eventually be cheapened to the foreign purchaser in a still greater ratio than the improvement has cheapened it to Lugland These are the very conclusions which we deduced on the hypothesis of barter

The result of the preceding discussion cannot be better summed up than in the words of Ricardo * "Gold and) silver having been chosen for the general medium of circulation, they are, by the competition of commerce, distributed in such proportions amongst the different countries of the world as to accommodate themselves to the natural traffic which would take place if no such metals existed, and the trade between countries were purely a trade't of barter" Of this principle, so fertile in consequences, previous to which the theory of foreign trade was an unintelligible chaos, Mr Ricardo, though he

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did not pursue it into its camplications, was the real originator. No writer who preceded him appears to have had a glimpse of it and few are those who even since his time have had an adequate conception of its scientific value.

\$3 It is now necessary to inquire, in what manner this law of the distribution of the precious metals by means of the exchanges, affects the exchange value of money itself, and how it tallies with the law by which we found that the value of money is regulated when imported as a mere article of merchandize For there is here a semblance of contradiction, which has, I think, contributed more than anything else to make some distinguished political economists resist the evidence sof the preceding doctrines Money, ther justly think, is no exception to the general laws of value, it is a commodity like any other, and its average or natural value must depend on the cost of producing, or at least of obtaining it. That its distribution through the world therefore, and its different value in different places, should be liable to be altered, not by causes affecting itself, but by a hundred causes unconnected with it, by everything which affects the trade in other commodities, so as to derange the equilibrium of exports and imports, appears to these thinkers a doctrine altogether madmissible

But the supposed anomaly exists only in semblance The causes which bring money into or carry it out of a country through the exchanges, to restore the equilibrium of trade, and which thereby raise its value in some countries and lower it in others, are the very same causes on which the local value of money would depend, if it were never imported except as a merchandize, and never except directly When the value of from the mines money in a country is permanently lowered by an influx of it through the balance of trade, the cause, if it is not diminished cost of production, must be one of those causes which compel a new adjustment, more favourable to the country, of the equation of inter-

national demand namely, either an increased demand abroad for her com modities, or a diminished demand on her part for those of foreign countries, Now an increased foreign demand for the commodities of a country, or a diminished demand in the country for imported commodities, are the very causes which, on the general principles of trade, enable a country to purchase all imports, and consequently the precious metals, at a lower value is therefore no contradiction, but the most perfect accordance, in the results of the two different modes in which the precious metals may be obtained When money flows from country to country in consequence of changes in the international demand for commodities, and by so doing alters its own local value, it merely realizes, by a more rapid process, the effect which would otherwise take place more slowly, by an alteration in the relative broadth of the streams by which the precious metals flow into different regions of the earth from the mining countries As therefore we before saw that the use of money as a medium of exchange does not in the least alter the law on which the values of other things, either in the same country or internationally, depend, so neither does it alter the law of the value of the precious metal itself and there is in the whole doctrine of international values as now laid down, a unity and harmony which is a strong collateral presumption of truth.

§ 4 Before closing this discussion; it is fitting to point out in what manner and degree the preceding conclusions are affected by the existence of international payments not originating in commerce, and for which no equivalent in either money or commodities is expected or received, such as a tribute, or remittances of rent to absentee landlords or of interest to foreign oreditors, or a government expenditure abroad, such as England incurs in the management of some of her colonial dependencies

To begin with the case of barter The supposed annual remittances being riade in commodities, and being exports for which there is to be no return, it is no longer requisite that the imports and exports should pay for one another on the contrary, there must be an annual excess of exports over imports, equal to the value of the re-If, before the country bemittance came liable to the annual payment, foreign commerce was in its natural state of equilibrium, it will now be necessary for the purpose of effecting the remittance, that foreign countries should be induced to take a greater quantity of exports than before which can only be done by offering those exports on cheaper terms, or in other words, by paying dearer for foreign The international values commodities will so adjust themselves that either by greater exports, or smaller imports, or both, the requisite excess on the side of exports will be brought about, and this excess will become the permanent The result is that a country which makes regular payments to foreign countries, besides losing what It pays, loses also something more, by the less advantageous terms on which it is forced to exchange its productions for foreign commodities

The same results follow on the sup-

Commerce being position of money supposed to be in a state of equilibrium when the obligatory remittances begin, the first remittance is necessarily made This lowers prices in the in money remitting country, and raises them in the receiving The natural effect is that more commodities are exported than before, and fewer imported, and that, on the score of commerce alone, a balance of money will be constantly due from the receiving to the paying country When the debt thus annually due to the tributary country becomes equal to the annual tribute or other regular payment due from it, no further transmission of money takes place, the equilibrium of exports and imports will no longer exist, but that of payments will, the exchange will be at par, the two debts will be set off against one another, and the tribute or remittance will be virtually paid in The result to the interests of the two countries will be as already pointed out the paying country will give a higher price for all that it buys! from the receiving country, while the latter, besides receiving the tribute, obtains the exportable produce of the tributary country at a lower price

CHAPTER XXIL

INFLUENCE OF THE CURRENCY ON THE EXCHANGES AND ON FOREIGN TRADE

of international trade, we commenced ath the principles which determine international exchanges and international exchanges and international values on the hypothesis of barier. We next showed that the introduction of money as a medium of exchange, makes no difference in the laws of exchanges and of values between country and country, no more than between individual and individual since the precious rietals, under the influence of those same laws, distribute themselves in such propor-

tions among the different countries of the world, as to allow the very same exchanges to go on, and at the same values, as would be the case under a system of barter. We lastly considered how the value of money itself is affected, by those alterations in the state of trade which arise from alterations either in the demand and supply of commodities or in their cost of production. It remains to consider the alterations in the state of trade which originate not in commodities but in money.

Gold and silver may vary like other things, though they are not so likely to vary as other things, in their cost of production The demand for them in foreign countries may also vary may increase, by augmented employment of the metals for purposes of art and ornament, or because the increase of production and of transactions has created a greater amount of business to be done by the circulating medium It may diminish, for the opposite seasons, or from the extension of the economizing expedients by which the use of metallic money is partially dis pensed with These changes act upon the trade between other countries and the mining countries, and upon the value of the precious metals, according to the general laws of the value of im ported commodities which have been set forth in the previous chapters with sufficient fulness

What I propose to examine in the present chapter, is not those circumstances affecting money, which alter the permanent conditions of its value, but the effects produced on international trade by casual or temporary variations—in—the value of money, which—have no connexion with any causes affecting its permanent value. This is a subject of importance, on account of its bearing upon the practical problem which has excited so much discussion for sixty years past, the regulation of the currency

Let us suppose in any country a circulating medium purely metallic, and a sudden casual increase made to lit, for example, by bringing into cir culation hoards of treasure, which had been concealed in a previous period of foreign invasion or internal disorder The natural effect would be a rise of This would check exports, and encourage imports, the imports would exceed the exports, the exchanges would become unfavourable, and the newly acquired stock of money would diffuse itself over all countries with which the supposed country carried on trade, and from them, progressively, through all parts of the commercial world. The money which thus over- I

flowed would spread itself to an equal depth over all commercial countries For it would go on flowing until their exports and imports again balanced; one another and this (as no change) is supposed in the permanent circum t stances of international demand) could only be, when the money had diffused itself so equally that prices had risen in the same ratio in all countries, so that the alteration of price would be for all practical purposes ineffective. and the exports and imports, though at a higher money valuation, would be exactly the same as they were ori money throughout the world, (at least if the diminution was considerable) would cause a suspension, or at least a diminution, of the annual supply from the mines since the metal (would no longer command a value equivalent to its highest cost of production The annual waste would, therefore, not be fully made up, and the usual causes of destruction would gradually reduce the aggregate quan tity of the precious metals to its former amount, after which their production would recommence on its The discovery of the former scale treasure would thus produce only tem porary effects, namely, a brief disturbance of international trade until the trensure liad disseminated itself through the world, and then a tem porary depression in the value of the metal, below that which corresponds to the cost of producing or of obtaining it, which depression would gri dually be corrected, by a temporarily diminished production in the producing countries, and importation in the importing countries

The same effects which would thus arise from the discovery of a treasure, accompany the process by which bank notes, or any of the other substitutes for money, take the place of the precious metals. Suppose that England possessed a currency wholly metallic, of twenty millions sterling, and that suddenly twenty millions of bank notes were sent into circulation. If these were issued by bankers, they would be on ployed in loans, or in the purchase of

securities, and would therefore create a sudden fall in the rate of interest. which would probably send a great part of the twenty millions of gold out of the country as capital, to seek a higher rate of interest elsewhere, before there had been time for any action on prices. But we will suppose that the notes are not issued bankers, or money lenders of any kind, but by manufacturers, in the payment of wages and purchase of materials, or by the government in its ordinary expenses, so that the whole amount would be rapidly carried into the markets for commodities following would be the natural order of consequences All prices would rise greatly Exportation would almost cease, importation would be prodi-A great balance grously stimulated of payments would become due, the exchanges would turn against England. to the full extent of the cost of exporting money, and the surplus coin would pour itself rapidly forth, over the various countries of the world, in the order of their proximity, geographically and commercially, to England The efflux would continue until the currencies of all countries had come to a level, by which I do not mean. until money became of the same value everywhere, but until the differences were only those which existed before, and which corresponded to permanent differences in the cost of obtaining it. When the rise of prices had extended itself in an equal degree to all countries, exports and imports would everywhere revert to what they were at first, would balance one another, and the exchanges would return to par If such a sum of money as twenty millions, when spread over the whole surface of the commercial world, were sufficient to raise the general level in a perceptible degree, the effect would be of no long duration. No alteration having occurred in the general conditions under which the metals were procured, either in the world at large or in any part of it, the reduced value would no longer be remunerating, and the supply from the mines would oeaso partially or wholly, until the regular industrial pursuit.

twenty millions were absorbed .* after which absorption, the currencies of all countries would be, in quantity and in value, nearly at their original level. I say nearly, for in strict accuracy there would be a slight difference somewhat smaller annual supply of the precious metals would now be required, there being in the world twenty millions less of metallic money under-The equilibrium of paygoing waste consequently, between ments. mining countries and the rest of the world, would thenceforth require that; the mining countries should either export rather more of something else, or import rather less of foreign com modities, which implies a somewhat lower range of prices than previously in the mining countries, and a somewhat higher in all others, a scantier !! currency in the former, and rather fuller currencies in the latter effect, which would be too trifling to require notice except for the illustration of a principle, is the only permanent change which would be produced on international trade, or on the value or quantity of the currency of any country

Effects of another kind, however; Twenty will have been produced millions which formerly existed in the unproductive form of metallic money have been converted into what is, of is capable of becoming, productive This gain is at first made by capital England at the expense of other countries, who have taken her superfluity of this costly and unproductive article off her hands, giving for it an equivalent value in other commodities By degrees the loss is made up to those countries by diminished influx from the mines, and finally the world has gained a virtual addition of twenty millions to its productive resources Adam Smith's illustration, though so well known, deserves for its extreme

^{*} I am here supposing a state of thing in which gold and silver mining are a permanent branch of industry, carried on under known conditions; and not the present state of uncertainty, in which gold gathering is a game of chance, prosecuted (for the present) In the spirit of an adventure, not in that of a

aptness to be once more repeated He compares the substitution of paper in the room of the precious metals, to the construction of a highway through the air, by which the ground now occupied by roads would become available for agriculture. As in that case a portion of the soil, so in this a part of the accumulated wealth of the country, would be relieved from a function in which it was only employed in rendering other soils and capitals productive, and would itself become applicable to production, the office it previously fulfilled being equally well discharged by a medium which

costs nothing The value saved to the community by thus dispensing with metallic money, is a clear gain to those who provide the substitute. They have the use of twenty millions of circulating medium which have cost them only the expense of an engraver's plate they employ this accession to their fortunes as productive capital, the produce of the country is increased and the community benefited, as much as by any other capital of equal amount Whether it is so employed or not, depends, in some degree, upon the mode of issuing it. If issued by the govern ment, and employed in paying off debt, it would probably become productive The government, however, capital may prefer employing this extraordinary resource in its ordinary expenses, may squander it uselessly, or make it a mere temporary substitute for taxation to an equivalent amount, in which last case the amount is saved by the taxpayers at large, who either add it to their capital or spend it as When paper currency is supıncome plied, as in our own country, by bankers and banking companies, the mount is almost wholly turned into productive capital for the assuers, being at all times hable to be called apon to refund the value, are under the strongest inducements not to squander it, and the only cases in which it is not forthcoming are cases of fraud or mamanagement. panker's profession being that of a money lender, his issue of notes is a remain solvent, the only advantage

simple extension of his ordinary occu-/ He lends the amount to farmers, manufacturers, or dealers, who employ it in their several businesses So employed, it yields, like any other capital, wages of labour and profits of The profit is shared between stock the banker, who receives interest, and a succession of borrowers, mostly for short periods, who after paying the interest, gain a profit in addition, or a convenience equivalent to profit. The capital itself in the long run becomes entirely wages, and when replaced by the sale of the produce, becomes wages again, thus affording a perpetual fund, of the value of twenty millions, for the maintenance of productive labour, and increasing the annual produce of the country by all that can be produced through the means of a capital of that To this gain must be added a value further saving to the country, of the annual supply of the precious metals necessary for repairing the wear and tear, and other waste, of a metallic currency

The substitution, therefore, of paper. for the precious metals, should always; be carried as far as is consistent with safety, no greater amount of metallic currency being retained, than is necessary to maintain, both in fact and in public belief, the convertibility of the A country with the extensive paper commercial relations of England, 18 liable to be suddenly called upon for large foreign payments, sometimes in loans, or other investments of capital abroad, sometimes as the price of some unusual importation of goods, the most frequent case being that of large importations of food consequent on a bad harvest. To meet such demands it is necessary that there should be, either in circulation or in the coffers of the banks, coin or bullion to a very considerable amount, and that this, when drawn out by any emergency, should be allowed to return after the emergency 18 past. But since gold wanted for exportation is almost invariably drawn from the reserves of the banks. and is never likely to be taken directly from the circulation while the banks

which can be obtained from retaining partially a metallic currency for daily purposes is, that the banks may occasionally replenish their reserves from it

g 3 When metallic money had been entirely superseded and expelled from circulation, by the substitution of an equal amount of bank notes, any attempt to keep a still further quantity of paper in circulation must, if the notes are convertible, be a complete The new issue would again set in motion the same train of conse quences by which the gold coin had The metals already been expelled would, as before, be required for exportation, and would be for that purpose demanded from the banks, to the full extent of the superfluous notes, which thus could not possibly be re-If, indeed, the tained in circulation notes were inconvertible, there would be no such obstacle to the increase An inconvertible of their quantity paper acts in the same way as a con vertible, while there remains any coin for it to supersede the difference begins to manifest itself when all the coin is driven from circulation (except what may be retained for the con ventence of small change), and the 18sues still go on increasing the paper begins to exceed in quantity the metallic currency which it superseded, prices of course rise, things which were worth bl in metallic money, become worth 61 in inconvertible paper, or more as the case may But this rise of price will not, as in the cases before examined, stimulate import, and discourage export imports and exports are determined by the metallic prices of things, not by the paper prices and it is only when the paper is exchangeable at pleasure for the metals, that paper prices and metallic prices must correspond

Let us suppose that England is the country which has the depreciated paper. Suppose that some English production could be bought, while the currency was still metallic, for 5l, and sold in France for 5l 10s, the difference sovering the expense and risk.

and affording a profit to the merchant On account of the depreciation, this commodity will now cost in England 61, and cannot be sold in France for more than 5/ 10s, and yet it will be Why? Because exported as before the 51 10s which the exporter can get for it in France, is not depreciated paper, but gold or silver and since in England bullion has risen, in the same proportion with other things-if the merchant brings the gold or silver to England, he can sell his 51 10s for 61 12s, and obtain as before 10 per cent for profit and expenses

It thus appears, that a depreciation of the currency does not affect the foreign trade of the country this is carried on precisely as if the currency, maintained its value But though the trade is not affected, the exchanges When the imports and exports ! are in equilibrium, the exchange, in a metallic currency, would be at par, a bill on France for the equivalent of five sovereigns, would be worth five sovereigns But five sovereigns, or the quantity of gold contained in them, having come to be worth in England 61, it follows that a bill on France for 5l, will be worth 6l When, therefore, the real exchange is at par, there will be a nominal exchange against the country, of as much per cent as the amount of the depreciation currency is depreciated 10, 15, or 20 per cent, then in whatever way the real exchange, arming from the variations of international debts and credits, may vary, the quoted exchange will always differ 10, 15, or 20 per cent However high this nominal from it premium may be, it has no tendency to send gold out of the country, for the purpose of drawing a bill against it and profiting by the premium, because the gold so sent must be procured, not from the banks and at par, as in the case of a convertible ourrency, but in the market, at an advance of price equal to the premium In such cases, instead of saying that the exchange is unfavourable, it would be a more correct representation to say that the par has altered, since there is now required a larger quantity of

English currency to be equivalent to | exportation is checked and importation the same quantity of foreign Tho jexchanges, however, continue to be teo uputed according to the metallic par-The quoted exchanges, therefore, when there is a depreciated currency, are compounded of two elements or factors, the real exchange, which follows the variations of international parments, and the nominal exchange, which vance with the depreciation of the currency, but which, while there is any deprec ation at all, must always be unfavourable Since the amount of depreciation is exactly measured by the degree in which the market price of bullion exceeds the Mint valuation, we bave a sure criterion to determine what portion of the quoted exchange, being referable to depreciation, may be struck off as nominal, the result so corrected expressing the real exchange

The same disturbance of the exchanges and of international tride, which is produced by an increased issue of convertible bank notes, is in like manner produced by those exten gions of credit, which, as was so fully shown in a preceding chapter, have the same effect on prices as an increase of the currency Whenever circumstances have given such an impulse to the spirit of speculation as to occasion a great increase of purchases on credit, money prices rise, just as much as they would have risen if each person who so buys on credit had bought with money All the effects, therefore, must be simi-As a consequence of high prices,

stimulated, though in fact the increase of importation seldem waits for the nse of prices which is the consequence of speculation, masmuch as some of the great articles of import are usually among the things in which speculative overtrading first shows itself 18, therefore, in such periods, usually a great excess of imports over exports, and when the time comes at which these must be paid for, the exchanges become unfivourable, and gold flow out of the country. In what pricise manner this efflux of gold takes effect on prices, depends on circumstances of which we shall presently speak more fully, but that its effect is to make them recoil downwards, is certain and The recoil, once begun, gene rally becomes a total rout, and the unusual extension of credit is ripidly exchanged for an unusual contraction of it Accordingly, when credit has been imprudently stretched, and the speculative spirit carried to excess, the turn of the exchanges, and consequent pressure on the banks to obtain gold for exportation, are generally the proximate cause of the catastrophe But these phenomena, though a conspicuous accompaniment, are no essen tial part, of the collapse of credit called a commercial crisis, which, as we formerly showed, might happen to as great an extent, and is quite as likely to happen, in a country, if any such there were, altogother destriute of foreign trade

OHAPTER XXIII.

OF THE RATE OF INTEREST

§ 1 The present seems the most] proper place for discussing the circum stances which determine the rate of The interest of loans, being runlly a question of exchange value, falls naturally into the present division

of our subject and the two topics of Currency and Loans, though in them solves distinct, are so intimately blonded in the phenomena of what is called the money market, that it is im-

* Supra, pp 318-9

possible to understand the one without the other, and in many minds the two subjects are mixed up in the most in extricable confusion

In the preceding Book* we defined the relation in which interest stands to profit. We found that the gross profit of capital might be distinguished into three parts, which are respectively the remuneration for risk, for trouble, and for the capital itself, and may be termed maurance, wages of superin tendence, and interest. After making compensation for risk, that is, after covering the average losses to which capital is exposed either by the general circumstances of society or by the hazards of the particular employment, there remains a surplus, which partly goes to repay the owner of the capital for his abstinence, and partly the on player of it for his time and trouble How much goes to the one and how much to the other, is shown by the amount of the remuneration which, when the two functions are separated, the owner of capital can obtain from This is evi the employer for its use dently a question of demand and rigger Nor have demand and supply any different meaning or effect in this case from what they have in all others The rate of interest will be such as to equalize the demand for loans with the supply of them It will be such, that exactly as much as some people are desirous to borrow at that rate, others shall be willing to lend If there is more offered than demanded, interest will fall, if more is demanded than offered, it will rise, and in both cases, to the point at which the equation of supply and demand is re-established Both the demand and supply of

cloans fluctuate more incessantly than any other domand or supply whatsoever. The fluctuations in other things depend on a limited number of influencing circumstances, but the desire to borrow, and the willingness to lend, are more or less influenced by every circumstance which affects the state or prospects of industry or commerce, either generally or in any of their branches. The rate of interest, there-

fore, on good security, which alone we ! have here to consider (for interest in which considerations of risk bear a part may swell to any amount) is seldom, [in the great centres of money transactions, precisely the same for two days! together, as is shown by the neverceasing variations in the quoted prices of the funds and other negotiable secu Nevertheless, there must be, as in other cases of value, some rate which (in the language of Adam Smith and Ricardo) may be called the natural rate, some rate about which the mar-Let rate escullates, and to which it always tends to return This rate partly depends on the amount of accumulation going on in the hands of persons who cannot themselves attend to the employment of their savings, and partly on the comparative taste existing in the community for the active pursuits of industry, or for the lessure, ease, and independence of an annulant h

§ 2 To exclude casual fluctuations, we will suppose commerce to be in a quiescent condition, no employment being unusually prosperous, and none). particularly distressed. In these circumstances, the more thriving producers and traders have their capital fully employed, and many are able to transact business to a considerably greator extent than they have capital These are naturally borrowers for and the amount which they desire to borrow, and can give security for, constitutes the demand for loans on account of productive employment these must be added the loans required by Government, and by landowners, or other unproductive consumers who have good security to give This constitutes # the mass of loans for which there is an " habitual demand

Now it is conceivable that there mucht exist, in the hands of persons disinclined or disqualified for engaging personally in business, a mass of capital equal to, and even exceeding, this demand In that case there would be an habitual excess of competition on the part of lenders, and the rate of interest would bear a low proportion to

* Supra, book ii. ch. xv § 1

the rate of profit Interest would be forced down to the point which would either tempt borrowers to take a greater amount of loans than they had a reasonable expectation of being able to employ in their business, or would so discourage a portion of the lenders, as to make them either forbear to accumulate, or endeavour to increase their income by engaging it business on their own account, and incurring the risks, if not the labours, of industrial

employments/

On the other hand, the capital owned by persons who prefer lending it at interest, or whose avocations prevent them from personally superintending its employment, may be short of the habitual demand for loans It may be in great part absorbed by the investments afforded by the public debt and by mortgages, and the remainder may not be sufficient to supply the wants of A commerce If so, the rate of interest t will be raised so high as in some way to re-establish the equilibrium When there is only a small difference between interest and profit, many borrowers may no longer be willing to increase their responsibilities and involve their credit for so small a remuneration some who would otherwise have en gaged in business, may prefer leisure, and become lenders mstead of borrowers or others, under the inducement of high interest and easy investment for their capital, may retire from business earlier, and with smaller fortunes, than they otherwise would have done Or, lastly, there is another process by which, in England and other commercial countries, a large portion of the requisite supply of loans is obtained. Instead of its being afforded by persons not in busi ness, the affording it may itself become A portion of the capital a business employed in trade may be supplied by a class of professional money lenders These money lenders, however, must have more than a mere interest, they must have the ordinary rate of profit on their capital, risk and all other circumstances being allowed for it can never answer to any one who borrows for the purposes of his busi-

ness, to pay a full profit for capita, from which he will only derive a full profit and money-lending, as an employment, for the regular supply of trade, cannot, therefore, be carried on except by persons who, in addition to their own capital, can lend their credit, or, in other words, the capital of othe people that is, bankers, and persons (such as bill brokers) who are virtually bankers, since they receive money in A bank which lends its notes: lends capital which it borrows from! the community, and for which it pays no interest A bank of deposit lends capital which it collects from the community in small parcels, sometimes without paying any interest, as is the case with the London private bankers, and if, like the Scotch, the joint stock, and most of the country banks, it does pay interest, it still pays much less than it receives, for the depositors, who in any other way could mostly obtain for such small balances no interest worth taking any trouble for, are glad to receive even a little subsidiary Having this resource. bankers are enabled to obtain, by lending at interest, the ordinary rate of profit on their own capital other manner, money-lending could not be carried on as a regular mode of business, except upon terms on which none would consent to borrow but persons either counting on extraordinary profits, or in urgent need unproductive consumers who have exceeded their means, or merchants in fear of bankruptcy The disposable capital deposited in banks that represented by bank notes, the capital of bankers themselves, and that which their credit, in any way in which they use it, enables them to dispose of these, together with the funds belonging to those who, either from necessity or preference, hve upon the interest of their property, constitute the general loan fund of the country and the amount of this aggregate fund, when set against the habitual demands of producers and dealers, and those of the Government and of unproductive consumers, determines the permanent or average rate of interest, which

must always be such as to adjust these two smounts to one another * But while the whole of this mass of lent capital takes effect upon the permanent rate of interest, the fluctuations depend almost entirely upon the portion which is in the hands of bankers, for it is that portion almost exclusively, which, being lent for short times only, is continually in the market seeking an investment The capital of those who live on the interest of their own fortunes, has generally sought and found some fixed investment, such as the public funds, mortgages, or the bonds of public companies, which investment, except under peculiar temptations or necessities, is not changed

Fluctuations in the rate of Interest arise from variations either in frdemand for loans, or in the supply The supply is liable to variation, though less so than the demand C. willingness to lend is greater than usual at the commencement of a tperiod of speculation, and much less than usual during the revulsion which In speculative times, moneylenders as well as other people are inclined to extend their business by stretching their credit, they lend more than usual (just as other classes of dealers and producers employ more than usual) of capital which does not belong to them Accordingly, these are the times when the rate of interest is low, though for this too (as we shall hereafter see) there are other causes During the revulsion, on the contrary, interest always rises inor-

 I do not include in the general loan fund of the country the capitals, large as they sometimes are, which are habitually em ployed in speculatively buying and selling the public funds and other securities true that all who buy securities add, for the time to the general amount of money on loan, and lower, to that extent, the rate of interest. But as the persons I speak of buy only to sell again at a higher price, they are alternately in the position of lenders and of borrowers: their operations raise the rate of interest at one time, exactly as much as they lower it at Like all persons who buy and sell another ou speculation, their function is to equalize, not to raise or lower, the value of the com modity When they speculate prudently, they temper the fluctuations of price; when imprudently, they often aggravate them.

dinately, because, while there is a the most pressing need on the part of many persons to borrow, there is a general disinclination to lend disinclination, when at its extremely point, is called a panic when a succession of unexpected fai lures has created in the mercantile, and sometimes also in the non-mercantile public, a general distrust in each other's solvency, disposing every one not only to refuse fresh credit, except on very onerous terms, but to call in, if possible, all credit which he has already given Deposits are with drawn from banks, notes are returned on the issuers in exchange for specie, bankers raise their rute of discount, and withhold their customary advances, merchants refuse to renew At such times the morcantile bills most calamitous consequences were formerly experienced from the attempt of the law to prevent more than a certain limited rate of interest from being given or taken Persons who could not borrow at five per cent, had to pay, not six or seven, but ten or fifteen per cent, to compensate the lender for risking the penalties of the law or had to sell securities or goods for ready money at a still greater sacrifice

In the intervals between commercial) crises, there is usually a tendency in the rate of interest to a progressive decline, from the gradual process of accumulation, which process, in the great commercial countries, is sufficiently rapid to account for the almost periodical recurrence of these fits of speculation, since, when a few years have elapsed without a crisis, and no new and tempting channel for investment has been opened in the meantime, there is always found to have occurred in those few years so large an increase of capital seeking investment, as to have lowered considerably the rate of interest, whether indicated by the prices of securities or by the rate of discount on bills, and this diminution of interest tempts the possessors to mear hazards in hopes of a more considerable return

The rate of interest is, at times,

affected more or less permanently by l circumstances, though not of frequent, ret of occasional occurrence, which tend to alter the proportion between the class of interest-receiving and that of profit receiving enpitalists canses of this description, operating in contrary ways, have manifested them selves of late rears, and are now producing considerable effects in England One 14, the gold discoveries interes of the precious metals which ! are constantly arriving from the gold coastnes, are, it may safely be said, wholly added to the funds that supply So great an addithe loan market turnal capital, not divided between the two classes of capitalists, but aggregated bodily to the capital of the interest-receiving class, disturbs the pre-existing ratio between the two. and tends to depress interest, relatively to profit. Another circumstance of still more recent date, but tending to the contrary effect, is the legilization of joint stock associations with limited hability The shareholders in these as ociations, now so rapidly multiplying, are drawn almost exclusively from the lending class, from those who either left their disposable funds in deposit, to be lent out by bankers, or invested them in public or private securities, and received the interest. the extent of their shares in any of these companies (with the single ex ception of banking companies) they have become traders on their own capital, they have ceased to be lenders, and have even, in most cases, passed over to the class of borrowers subscriptions have been abstracted from the funds which feed the loan market, and they themselves have become competitors for a share of the remainder of those funds of all which, the natural effect is a rise of interest And it would not be surprising if, for a considerable time to come, the ordi nary rate of interest in England should bear a higher proportion to the common rate of mercantile profit, than it has borne at any time since the influx of new gold sot in *

To the cause of augmentation in the rate of interest, mentioned in the text, must be

The demand for loans varies much more largely than the supply, and embraces longer cycles of years in its aberrations. A time of war, for example, is a period of unusual drafts on the loan market. The Government, at such times, generally incurs new loans. and as these usually succeed each other rapidly as long as the war lasts, the general rate of interest is kept higher in war than in peace, without reference to the rate of profit, and productive industry is stinted of its usual supplies During part of the last French war, the Government could not borrow under six per cent, and of course all other borrowers had to pay at least as much Nor does the influence of these loans altogether cease when the Government censes to contract others, for those already contracted continue to afford an investment for a greatly increased amount of the disposable capital of the country, which if the national debt were paid off, would be added to the mass of capital seeking investment, and (independently of temporary disturbance) could not but, to some extent, permanently lower the rate of interest. The same effect on interest which is produced by Government loans for war expenditure, is produced by the sudden opening of any new and generally attractive mode of permanent investment The only instance of the kind in recent history on a scale comparable to that of the war loans, is the absorption of capital in the construction of This capital must have been railways principally drawn from the deposits in banks, or from savings which would have gone into deposit, and which were added another, forcibly insisted on by the author of an able article in the Edinburgh Review for January 1865; the increased and increasing willingness to send capital abroad for investment. Owing to the vastly aug mented facilities of access to foreign countries, and the abundant information incessantly received from them foreign investments have ceased to inspire the terror that belongs to the unknown capital flows, without misgiving to any place which affords an expectation of high profit and the loan market of the whole commercial world is becoming rapidly one The rate of interest, therefore in the part of the world out of which capital most freely flows, cannot any longer remain to much inferior to the rate elsewhere, as it has hitherto been

destined to be ultimately employed in buying securities from persons who would have employed the purchase money in discounts or other loans at interest in either case, it was a draft on the general loan fund It 18, 12 fact, evident, that unless savings were made expressly to be employed in rail nay adventure, the amount thus em ployed must have been derived either from the actual capital of persons in business, or from capital which would have been lent to persons in business In the first case, the subtraction, by empling their means, obliges them to be larger borrowers, in the second, it leaves less for them to borrow, in either case it equally tends to raise the rate of interest.

§ 4 1 have, thus far, considered loans, and the rate of interest, as a matter which concerns capital in gene ral, in direct opposition to the popular notion, according to which it only con-In loans, as in all other cerns money money transactions, I have regarded the money which passes, only as the medium, and commodities as the thing teally transferred—the real subject of the transaction And this is, in the main, correct because the purpose for which, in the ordinary course of affairs. money is borrowed, is to acquire a purchasing power over commodities an industrious and commercial country, the ulterior intention commonly is, to employ the commedities as capital but even in the case of loans for un productive consumption, as those of spendthrifts, or of the Government, the amount borrowed is taken from a previous accumulation, which would other wise have been lent to carry on productive industry, it is, therefore, so much subtracted from what may correctly be called the amount of loanable capital

There is, however, a not unfrequent case, in which the purpose of the bor rower is different from what I have here supposed. He may borrow money, neither to employ it as capital nor to spend it unproductively, but to pay a previous debt In this case, what he wants is not purchasing power, but legal tender, or something which a

creditor will accept as equivalent to it. His need is specifically for money, not for commodities or capital It is the demand arising from this cause, which produces almost all the great and sad? den variations of the rite of interest Such a demand forms one of the cart liest features of a commercial crisis; At such a period, many persons in business who have contracted engage ments, have been prevented by a change of circumstances from obtaining in time the means on which they calculated for fulfilling them These means thoy must obtain at any sacrifice, or submit to bankrupter, and what they must have is money Other capital, however much of it they may possess, can not answer the purpose unless money can first be obtained for it while, on the contrary, without any increase of the capital of the country, a mere in crease of circulating instruments of credit, (be they of as little north for any other purpose as the box of one pound notes discovered in the vaults of the Bank of England during the panto of 1825) will effectually serve their turn, if only they are allowed to make use of it An increased issue of notes, in the form of loans, is all that is required to satisfy the demand, and put an end to the accompanying pame. But although, in this case, it is not capital, or purchasing power, that the borrower needs, but money as money, it is not only money that is transferred The money carries its pur chasing power with it wherever it goes, and money thrown into the loan market really does, through its purchasing power, turn over an increased portion of the capital of the country into the direction of loans Though money alone was wanted, capital passes, and it may still be said with truth that it is by an addition to loanable capital that the rise of the rate of interest is met and corrected

Independently of this, however, there is a real relation, which it is indispensable to recognise, between loans and money Loanable capital is all of it in the form of money Capital destined directly for production exists in many forms, but capital

I destined for lending exists normally in that form alone. Owing to this circumstance, we should naturally expect that among the causes which affect mere or less the rate of interest, would be found not only causes which art through capital, but some causes which act, directly at least, only

through money The rate of interest bears no neces ears relation to the quantity or value of the money in circulation The permanent amount of the circulating medium. whether great or small affects only prices, not the rate of interest depreciation of the currency, when it has become an accomplished fact, nffcota-the-rate of untercat-in no man It diminishes indeed nor-whatever the power of money to buy commodi-ties, but not the power of money to buy money If a hundred pounds will buy a perpetual annuity of four pounds a year, a depreciation which makes the hundred pounds worth only half as much as before, has precisely the same effect on the four pounds, and cannot therefore alter the relation between the two The greater or smaller number of counters which must be used to express a given amount of real wealth, makes no dif ference in the position or interests of lenders or borrowers, and therefore makes no difference in the demand There is the and supply of loans same amount of real capital lent and borrowed, and if the capital in the hands of lenders is represented by a greater number of pounds sterling, the same greater number of pounds ster ling will, in consequence of the rise of prices, be now required for the pur-

apply them

But though the greater or less
quantity of money makes in itself no
difference in the rate of interest, a
change from a less quantity to a
greater, or from a greater to a less,
may and does make a difference in it.

poses to which the borrowers intend to

Suppose money to be in process of depreciation, by means of an incon vertible currency, issued by a government in payment of its expenses. This fact will in no way diminish the

demand for real capital on loan, but it will diminish the real capital loanable, because, this existing only in the form of money, the increase of quantity depreciates it Fstimated in capital, the amount offered is less, while the amount required is the same as before I stimated in currency, the amount offer d is only the same as before, while the amount required, owing to the rise of prices, is greater Lither way, the rate of interest must So that in this case increase of currency really affects the rate of interest, but in the contrary way to that which is penerally supposed, by raising, not by lowering it

The reverse will happen as the effect of calling in, or diminishing in quantity, a depreciated currency. The money in the hands of lenders, in common with all other money, will be enhanced in value, that is, there will be a greater amount of real capital seeking borrowers, while the real capital wanted by borrowers will be only the same as before, and the money amount less the rate of interest, therefore, will tend to fall

We thus see that depreciation, merely as such, while in process of taking place, tends to raise the rate of interest and the expectation of further depreciation adds to this effect, because lenders who expect that their interest will be paid, and the principal perhaps redeemed, in a less valuable currency than they lent, of course require a rate of interest sufficient to cover this contingent loss

But this effect is more than counteracted by a contrary one, when the additional money is thrown into circulation not by purchases but by loans In Lugland, and in most other commercial countries, the paper currency in common uso, being a chrrency provided by bankers, is all issued in the way of loans, except the part employed in the purchase of gold and silver The same operation, therefore, which adds to the currency also adds to the loans the whole increase of currency in the first instance swells the loan market Considered as an addition to loans it tends to lower interest, more

than in its character of depreciation it tends to raise it, for the former effect depends on the ratio which the new money bears to the money lent, while the latter depends on its ratio to all I the money in circulation at aV crease, therefore, of currency usued by I banks, tends, while the process con tinnes, to bring down or to keep down the rate of interest. A similar effect is produced by the increase of money arising from the gold discoveries, almost the whole of which, as already noticed, is, when brought to Europe, added to the deposits in banks, and consequently to the amount of loans, and when drawn out and invested in securities, liberates an equivalent amount of other loanable capital The newly arrived gold can only get itself invested, in any given state of busi ness by lowering the rate of interest, and as long as the influx continues, it cannot fail to keep interest lower than, all other circumstances being supposed the same, would otherwise have been the case.

As the introduction of additional gold and silver which goes into the loan market, tends to keep down the rate of interest, so any considerable abstraction of them from the country invariably raises it, even when occurring in the course of trade, as in paying for the extra importations caused by a bad hiarvest, or for the high priced cotton which is, just now, imported from so many parts of the world. The money required for these payments is taken in the first instance from the deposits in the bands of bankers, and to that extent stayes the fund that supplies the loan market.

The rate of interest then depends, be contally and permanently, on the comparative amount of real empiral offered and demanded in the way of loan, but is subject to temporary disturbances of various sorts, from increase and diminuition of the circulating medium, which derangements are somewhat intircate, and some times in direct opposition to first appearances. All these distinctions are veiled over and confounded, by the unfortunate misappl.cation of language

which designates the rate of interest by a plimee ("the value of money") which properly expresses the purchasing power of the circulating medium The public, even mercantile, habitu ally fancies that case in the money market, that is, facility of borrowing at low interest, is proportional to the quantity of money in circulation only, therefore, are bink notes suppoced to produce effects as currency, which they only produce as leans, but attention is habitually diverted from effects similar in kind and much greater in degree, when produced by an action on loans which does not happen to be accompanied by any action on the currency

For example, in considering the effect produced by the proceedings of banks in encouraging the excesses of speculation, an immense effect 18 usually attributed to their 1. sucs of notes, but until of late hardly any attention was paid to the management of their deposits, though nothing is more certain than that their impru dent extensions of credit take place more frequently by means of their deposits than of their issues is no doubt," says Vir Tooke, " "that broks, whether private or joint stock, may, if impruden ly conducted, minister to an undue extension of credit for the purpose of speculations, whether in commodities, or in over trading in ex ports or imports, or in building or mining operations, and that they have so ministered not unfrequently, and in some cases to an extent runous to themselves, and without ultimate benefit to the parties to whose views their resources were made subservient" But, "supposing all the deposits received by a banker to be in coin, is he not, just as much as the assuing banker, exposed to the importunity of customers, whom it may be impelitic to refuse, for loans or discounts, or to be tempted by a lugh interest? and may he not be induced to encroach so much upon his deposits as to leave him, under not improbable circumstances, unable to meet the demands of his depositors? In what * Inquiry into the Currency Principle, ch. xiv. respect, indeed, would the case of a banker in a perfectly metallic circulation differ from that of a London banker at the present day? He is not a creator of money, he cannot avail himself of his privilege as an issuer in aid of his other business, and yet there have been lamentable instances of London bankers issuing money in excess."

In the discussions, too, which have been for so many years carried on re specting the operations of the Bank of England, and the effects produced by those operations on the state of credit, though for nearly half a century there never has been a commercial crisis which the Bank has not been strenu ously accused either of producing or of aggrwating, it has been almost uni versally assumed that the influence of its acts was felt only through the amount of its notes in circulation, and that if it could be prevented from exercising any discretion as to that one feature in its position, it would no longer have any power liable to abuse at least is an error which, after the experience of the year 1847, we may hope has been committed for the last During that year the hands of the Bank were absolutely tied, in its character of a bank of issue, but through its operations as a bank of deposit it exercised as great an influence, or apparent influence, on the rate of interest and the state of credit, as at any former period, it was exposed to as vehement accusations of abusing that influence, and a crisis occurred, such as few that preceded it had equalled, and none perhaps surpassed, in intensity

sansons, land great a deproprious remark, that the rate of interest determines the value and price of fall those saleable articles which are disired and bought, not for themselves, but for the income which they are capible of yielding. The public funds, shares in joint-stock companies, and all descriptions of securities, are at a high price in proportion as the rate of interest is low. They are sold at the price which will give the market rate.

of interest on the purchase money, with allowance for all differences in the risk incurred, or in any circumstance of convenience. Exchequer bills, for example, usually soll at a higher price than consols, proportionally to the interest which they yield, because, though the security is the same, vet the former being annually paid off at par unless renewed by the holder, the purchaser (unless obliged to sell in a moment of general emergency), is in no danger of losing any thing by the re-sale, except the premium he may have paid

The price of land, mines, and all other fixed sources of income, depends) in like manner on the rate of interest; Land usually sells at a higher price, in proportion to the income afforded by it. than the public funds, not only because it is thought, even in this country, to be somewhat more secure, but because ideas of power and dignity are associated with its possession But these differences are constant, or nearly so, and in the variations of price, land follows, cæteris paribus, the permanent (though of course not the daily) variations of the rate of interest terest is low, land will naturally be dear, when interest is high, land will be cheap The last long war presented a striking exception to this rule, since the price of land as well as the rate of interest was then remarkably high For this, however, there was a special The continuance of a very high average price of corn for many years, had raised the rent of land even more than in proportion to the rise of interest, and fall of the selling price of Had it not been for fixed incomes this accident, chiefly dependent on the seasons, land must have sustained as great a depreciation in value as the public funds which it probably would do, were a similar war to break out hereafter, to the signal disappointment of those landlords and farmers who, generalizing from the casual circumstances of a remarkable period, so long persuaded themselves that a state of war was peculiarly advantageous, and a state of peace disadvantageous, to what they chose to call the interests

CHAPTER XXIV.

OF THE REGULATION OF A CONVERTIBLE PAPER CURRENCY.

Inr frequent recurrence during the last half century of the painful series of phenomena called a commer cial crisis, has directed much of the attention both of economists and of practical politicians to the contriving of expedients for averting, or at the least, And the habit mitigating its evils which grew up during the era of the Bank restriction, of ascribing all al ternations of high and low prices to the issues of banks, has caused inquirers in general to fix their hopes of success in moderating those vicissitudes, upon schemes for the regulation of bank A scheme of this nature, after having obtained the sanction of high authorities, so far established itself in the public mind, as to be, with general approbation, converted into a law, at the renewal of the Charter of the Bank of England in 1844 and the regula tion is still in force, though with a great abatement of its popularity, and with its prestige impaired by two temporary suspensions, on the responsibility of the executive, the earlier of the two little more than three years after its enact-It is proper that the ments of ment this plan for the regulation of a convertible bank note currency should be , here considered Before touclung upon the practical provisions of Sir Robert Peols Act of 1844, I shall briefly state the nature, and examine the grounds, of the theory on which it is founded It is believed by many, that banks of issue universally, or the Bank of England in particular, have a power of throwing their notes into circulation, and thereby raising prices, arbitrarily, that this power is only limited by the degree of moderation with which they think fit to exercise it, that when they increase their issues beyond the usual amount, the rise of prices, thus pro duced, generates a spirit of speculation in commodities, which carries prices still higher, and ultimately causes a

reaction and recoil, amounting in ex] treme cases to a commercial crisis, and that every such crisis which has occurred in this country within mor cantile memory, has been either originally produced by this cause, or greatly aggravated by it. To this ex treme length the currency theory has not been carried by the eminent poli tical economists who have given to a more moderate form of the same theory the sanction of their names But I have not overstated the extravagance of the popular version, which is a remarkable instance to what lengths a favourite theory will harry, not the closet students whose competency in such questions is often treated with so much contempt, but men of the world and of business, who pique themselves on the practical knowledge which they linve at least had ample opportunities Not only has this fixed of acquiring idea of the currency as the prime agent in the fluctuations of price, made them shut their eyes to the multitude of circumstances which, by influencing the expectation of supply, are the true causes of almost all speculations and of almost all fluctuations of price, but in order to bring about the chronological agreement required by their theory, between the variations of bank issues and those of prices, they have plaved such funtastic tricks with facts and dates as would be thought incredible, if an eminent practical authority had not taken the trouble of meeting them, on the ground of mere history, with an elaborate exposure as all conversant with the subject must be aware, to Mr Tooko's History of Prices The result of Mr Tooke's investigations was thus stated by himself, in his examination before the Commons Committee on the Bank Charter question in 1882, and the evidences of it stand recorded in his book "In point of fact, and historycally, as far as my researches have gone, in every signal instance of a rise or fall of prices, the rise or fall has preceded, and therefore could not be the effect of, an enlargement or contraction of the bank circulation.

The extravagance of the currency theorists, in attributing almost every rise or fall of prices to an enlargement or contraction of the issues of bank notes, has raised up, by reaction, a theory the extreme opposite of the former, of which, in scientific discussion, the most prominent representatives are Mr Tooke and Mr Fullarton This counter theory denies to bank motes, so long as their convertibility is maintained, any power whatever of traising prices, and to banks any power of increasing their circulation, except as a consequence of, and in proportion to, an increase of the business to be done This last statement is supported by the unanimous assurances of all the country bankers who have been ex annued before successive Parliamentary Committees on the subject. They all bear testimony that (in the words of Mr Fullarton*) "the amount of their issues is exclusively regulated by the extent of local dealings and expenditure in their respective districts, fluctuating with the fluctuations of production and price, and that they neither can increase their issues beyond the limits which the range of such dealings and expenditure prescribes, without the certainty of having their notes im mediately returned to them, nor dimi nish them, but at an almost equal certainty of the vacancy being filled up from some other source" From these premises it is argued by Mr Tooke and Mr Fullarton, that bank issues, since they cannot be increased in amount unless there be an increased idemand, cannot possibly raise prices, cannot encourage speculation, nor occasion a commercial crisis, and that the attempt to guard against that evil by an artificial management of the issue of notes, is of no effect for the intended purpose, and liable to produce other consequences extremely calamitous

* Regulation of Currencies p 85.

As much of this doctrine as rests upon testimony, and not upon inforence, appears to me incontrovertible I give complete credence to the assertion of the country bankers, very clearly and correctly condensed into a small compass in the sentence just quoted from Mr Fullarton I am convinced that they cannot possibly increase their issue of notes in any other circumstances than those which are there I believe, also, that the theory, grounded by Mr Fullarton upon this fact, contains a large portion of truth, and is far nearer to being the expres 810n of the whole truth than any form whatever of the currency theory

There are two states of the markets one which may be termed the quiescent' state, the other the expectant, speculative state The first is that in which there is nothing tending to engender in any considerable portion of the mercantile public a desire to extend. their operations The producers pro duce and the dealers purchase only their usual stocks, having no expecta tion of a more than usually rapid vent Each person transacts his ordinary amount of business and no more, or increases it only in correspondence with the increase of his capital or connexion, or with the gradual growth of the demand for his commodity, occasioned by the public prosperity Not meditating any un usual extension of their own operations, producers and dealers do not need more than the usual accommodation from bankers and other money lenders, and as it is only by extending their loans that bankers increase their issues. none but a momentary augmentation of issues is in these circumstances If at a certain time of the year a portion of the public have larger payments to make than at other times, or if an individual, under some peculiar exigency, requires an extra advance, they may apply for more bank notes, and obtain them, but the notes will no more remain in circulation, than the extra quantity of Bank of England notes which are issued once in every three months in payment of the divi The person to whom, after

being borrowed, the notes are pud | away, has no extra payments to make, and no peculiar exigency, and he keeps them by him unused, or sends their into deposit, or repays with them a previous advance made to him by some banker in any case he does not buy commodities with them, since by the supposition there is nothing to induce him to lay in a larger stock of com Even if we modifies than before suppose, as we may do, that bankers create an artificial increase of the demand for loans, by offering them below the market rate of interest, the notes they issue will not remain in circulation, for when the borrower, having completed the transaction for which he availed himself of them, has paid them away, the creditor or dealer who re ceives them, having no demand for the immediate use of an extra quantity of notes, sends them into deposit. this case, therefore, there can be no addition, at the discretion of bankers, to the general circulating medium any increase of their issues either comes back to them, or remains idle in the hands of the public, and no rise takes place in prices

But there is another state of the markets, strikingly contrasted with the preceding, and to this state it is not so obvious that the theory of Mr Tooke and Mr Fullarton is applicable, namely, when an impression prevails, whether well founded or groundless, that the supply of one or more great articles of commerce is likely to fall short of the ordinary consumption such circumstances all persons connected with those commodities desire to extend their operations The producers or importers desire to produce or import a larger quantity, speculators desire to lay in a stock in order to profit by the expected mee of price, and holders of the commodity desire additional advances to enable them to continue holding All these classes are disposed to make a more than ordinary use of their credit, and to this desire it is not denied that bankers very often unduly administer Effects of the same kind may be produced by anything which, exciting more than I

usual hopes of profit, gives increased briskness to business for example, a rudden foreign demand for commodities on a large scale, or the expectation of it, such as occurred on the opening of Spanish America to English trade, and line occurred on various occasions in the trade with the United States Such occurrences produce a tendency to a rise of price in exportable articles, and generate speculations, sometimes of a reasonable, and (as long as a large proportion of men in business prefer excitement to safety) frequently of an irrational or immoderate character In such cases there is a desire in the mercantile classes, or in some portion of them, to employ their credit, in a more than usual degree, as a power of purchasing This is a state of business which, when pushed to an extreme length, brings on the revulsion called a commercial crisis, and it is a known fact that such periods of speculation hardly ever pass off without having been attended, during some part of their progress, by a considerable increase of bank notes

To this, however, it is replied by Mr Tooke and Mr Fullarton, that the increase of the circulation always follows, instead of preceding, the rise of prices, and is not its cause, but its That in the first_place, the speculative purchases by which prices are raised, are not effected by bank' notes but by cheques, or still more commonly on a simple book credit and secondly, even if they were made with bank notes borrowed for that express purpose from bankers, the notes, after being used for that purpose, would, if not wanted for current transactions, be returned into deposit by the persons, receiving them In this I fully concur, and I regard it as proved, both scientifically and historically, that during the ascending period of speculation, and as long as it is confined to transactions between dealers, the issues of bank notes are seldom materially increased, nor contribute anything to the speculative rise of prices. It seems to me, however, that this can no longer be affirmed when speculation has proceeded so far as to reach the producers.

Speculative orders given by merchants ! to manufacturers induce them to extend their operations, and to become applicants to bankers for increased advances, which, if made in notes, are not paid away to persons who return them into deposit, but are partially expended in paying wages, and pass into the various channels of retail trade, where they become directly effective in producing a further rise of prices I cannot but think that this employment of bank notes must have been powerfully operative on prices at the time when notes of one and two pounds value were per-Admitting, however, mitted by law that the prolubition of notes below five pounds has now rendered this part of their operation comparatively insignificant, by greatly limiting their applicability to the payment of wages, there is another form of their instrumentality which comes into play in the later stages of speculation, and which forms the principal argument of the more moderate supporters of the currency theory Though advances by bankers are seldom demanded for the purpose of buying on speculation, they are largely demanded by unsuccessful speculators for the purpose of holding on, and the competition of these speculators for a share of the loanable capital, makes even those who have not speculated, more dependent than before on bankers for the advances they require Between the ascending period of speculation and the revulsion, there is an interval, extending to weeks and sometimes months, of struggling against a The tide having shown signs of turning, the speculative holders are unwilling to sell in a falling market, and in the meantime they require funds to enable them to fulfil even their ordinary engagements It is this stage that is ordinarily marked by a con siderable increase in the amount of the bank note circulation. That such an morense does usually take place, is denied by no one And I think it must be admitted that this increase tends to prolong the duration of the speculations, that it enables the speculative prices to be kept up for some time after they would otherwise have collapsed,

and therefore prolongs and increases the drain of the precious metals for exportation, which is a leading feature of this stage in the progress of a commercial orisis the continuance of which drain at last endangering the power of the banks to fulfil their engagement of paying their notes on demand, they are compelled to contract their credit more suddenly and soverely than would have been necessary if they had been prevented from propping up speculation by increased advances, after the time when the recoil had become inevitable

\$3 To prevent this retardation of the recoil, and ultimate aggravation of its severity, is the object of the scheme for regulating the currency, of which Lord Overstone, Mr Norman, and Colonel Torrens, were the first promulgators, and which has, in a slightly modified form, been enacted into law *

* I think myself justified in affirming that the mitigation of commercial revulsions is the real, and only serious, purpose of the Act of 1844 I am quite aware that its supporters insist (especially since 1847) on its supreme officacy in "maintaining the con vertibility of the Bank note But I must be excused for not attaching any serious importance to this one among its alleged merits. The convertibility of the Bank note was maintained and would have continued to be maintained, at whatever cost, under the old As was well said by Lord Over stone in his Evidence, the Bank can always, by a sufficiently violent action on credit, save itself at the expense of the mercantile public. That the Act of 1844 mitigates the violence of that process, is a sufficient claim to prefer in its behalf Besides, if we suppose such a degree of mismanagement on the part of the Bank, as, were it not for the Act, would endanger the continuance of convertibility the same (or a less) degree of miamanagement, practised under the Act, would suffice to produce a suspension of payments by the Banking Department an event which the compulsory separation of the two departments brings much nearer to possibility than it was before, and which, involving as it would the probable stoppage of every private banking establishment in London and perhaps also the non payment of the dividends to the national creditor, would be a far greater immediate calamity than a brief interruption of the converti bility of the note; insomuch that, to enable the Bank to resume payment of its deposits, no Government would hesitate a moment to suspend payment of the notes, if suspension of the Act of 1844 proved insufficient,

According to the scheme in its original purity, the issue of promissory notes for circulation was to be confined to one body In the form adopted by Parliament, all existing issuers were permitted to retain this privilege, but none were to be thereafter admitted to it, even in the place of those who might discontinue their issues and, for all except the Bank of England, a maxi and, for all mum of issues was prescribed, on a scale intentionally low To the Bank of England no maximum was fixed for the aggregate amount of its notes, but only for the portion issued on securi ties, or in other words, on loan were never to exceed a certain limit. fixed in the first instance at fourteen millions * All issues beyond that amount must be in exchange for bul lion, of which the Bank is bound to purchase, at a trifle below the Mint valuation, any quantity which is offered to it, giving its notes in exchange regard, therefore, to any issue of notes beyond the limit of fourteen millions, the Bank is purely passive, having no function but the compulsory one of giving its notes for gold at 31 17s 9d., and gold for its notes at 3l 17s 101d. whenever and by whomsoever it is called upon to do so

The object for which this mechanism is intended is, that the bank note curfrency may vary in its amount at the exact times, and in the exact degree, in which a purely metallic currency would vary. And the precious metals being the commodity that has hitherto approached nearest to that invariability in all the circumstances influencing value, which fits a commodity for being adopted as a medium of exchange, it were to be thought that the exect lense of the Act of 1841 is fully made out, if under its operation the issues conform in all their variations of quan-

A conditional increase of this maximum is permitted but only when by arrangement with any country bank the issues of that lank are discontinued, and flank of England the substituted and even then the in it work limited to two-thirds of the amount of the country notes to be thereby super-eded I nder this provision, the amount of notes which the flank of England is now at liberty to be us against securities, is rather under fourteen and a half millions

tity, and therefore, as is inferred, of value, to the variations which would take place in a currency wholly melallic

Now, all reasonable opponents of the Act, in common with its supporters, acknowledge as an essential h requisite of any substitute for the precious metals, that it should con form exactly in its permanent value to a metallic standard And they say, that so long as it is convertible into specie on demand, it does and must so But when the value of a metallic or of any other currency is spoken of, there are two points to be considered, the permanent or everage value, and the fluctuations It is to the permanent value of a metallic currency, that the value of a paper currency ought to conform But there is no obvious reason why it should be required to conform to the fluctuations The only object of its conforming at all, is steadiness of value, and with respect to functuations the sole thing desirable is that they should be Now the fluctu the smallest possible ations in the value of the currency are determined, not by its quantity, whether it consist of gold or of paper, but by the expansions and contractions of credit. To discover, therefore, what currency will conform the most nearly to the *permanent* value of the precious metals, we must find under what corrency the variations in credit are least frequent and least extreme whether this object is best attained by a metallic currency (and therefore by a paper currency exactly conform ing in quantity to it) is precisely the question to be decided. If it should prove that a paper currency which follows all the fluctuations in quantity of a metallic, leads to more violent revulsions of credit than one which is not held to this rigid conformity, it will follow that the currency which agrees most exactly in quantity with a metallic currency is not that which adheres closest to its value, that is to say, its permanent value, with which alone agreement is desirable

Whether this is really the case or not we will now inquire. And first,

let us con-ider whether the Act effects the practical object chiefly relied on in its defence by the more sober of its advocates, that of arresting speculative extensions of credit at an earlier period, with a less drain of gold, and consequently by a milder and more gradual process. I think it must be admitted that to a certain degree it is successful in this object.

I am aware of what may be urged, ' and reasonably urged, in opposition to It may be said, that this opinion when the time arrives at which the banks are pressed for increased advances to enable speculators to fulfil their engagements, a limitation of the g issue of notes will not prevent the banks, if otherwise willing, from makling these advances, that they have still their deposits as a source from which loans may be made beyond the point which is consistent with prudence as bankers, and that even if they refused to do so, the only effect would be, that the deposits themselves would be drawn out to supply the wants of the depositors, which would be just as much an addition to the bank notes and com in the hands of the public, as if the notes themselves were increased This is true, and is a sufficient answer to those who think that the advances of banks to prop up failing speculations are objectionable chiefly as an increase of the currency But the mode in which they are really objectionable, is as an extension of If, instead of increasing their discounts, the banks allow their desame increase of currency (for a short time at least) but there is not an increase of loans, at the time when there If they do bught to be a diminution increase their discounts, not by means of notes, but at the expense of the deposits alone, their deposits (properly so called) are definite and exhaustible. while notes may be increased to any amount, or, after being returned, may be ressued without limit. It is true that a bank, if willing to add indefinitely to its habilities, has the power of making its nominal deposits as unlimited a fund as its issues could be,

it has only to make its advances in a book credit, which is creating deposits out of its own liabilities, the money for which it has made itself responsible becoming a deposit in its hands to be drawn against by cheques. and the cheques, when drawn, may be liquidated (either at the same bank or at the clearing house) without the aid of notes, by a mere transfer of credit from one account to another I apprehend it is chiefly in this way that undue extensions of credit, in periods of speculation, are commonly But the banks are not likely to persist in this course when the tide begins to turn. It is not when their deposits have already begun to flow out, that they are likely to create deposit accounts which represent, instead of funds placed in their hands, fresh habilities of their own experience_proves_that extension of i credit in the form of notes goes on long ! after the recoil from over speculation } has commenced When this mode of resisting the revulsion is made impossible, and deposits and book credits are left as the only source from which undue advances can be made, the rate of interest is not so often, or so long, prevented from rising, after the difficulties consequent on excess of speculation begin to be felt. On the con trary, the necessity which the banks feel of diminishing their advances to maintain their solvency, when they find their deposits flowing out, and cannot supply the vacant place by their own notes, accelerates the rise of the rate of interest Speculative holders are therefore obliged to submit earlier to that loss by resale, which could not have been prevented from coming on them at last recoil of prices and collapse of general credit take place sooner

To appreciate the effect which this acceleration of the crisis has in mitigating its intensity, let us advert more particularly to the nature and effects of that leading feature in the period just preceding the collapse, the drain of gold. A rise of prices produced by a speculative extension of credit, even when bank notes have not

been the instrument, is not the less reffectual (if it lasts long enough) in iturning the exchanges and when the exchanges have turned from this cause. they can only be turned back, and the drain of gold stopped, either by a fall of prices or by a rise of the rate of interest A fall of prices will stop it by removing the cause which produced it, and by rendering goods a more ad vantageous remittance than gold, even for paying debts already due A rise of the rate of interest, and consequent fall of the prices of securities, will accomplish the purpose still more rapidly, by inducing foreigners, instead of taking away the gold which is due to them, to leave it for investment, within the country, and even send' gold into the country to take advantage of the increased rate of in-Of this last mode of stopping a drain of gold, the year 1847 afforded signal examples But until one of these two things takes place-until either prices fall, or the rate interest rises-nothing can possibly arrest, or even moderate, the efflux of gold Now, neither will prices fall nor interest rise, so long as the unduly expanded credit is upheld by the continued advances of bankers well known that when a drain of gold has set in, even if bank notes have not increased in quantity, it is upon them that the contraction first falls, the gold wanted for exportation being always obtained from the Bank of England in exchange for its notes But under the system which preceded 1844, the Bank of England, being subjected, in common with other banks, to the importunities for fresh advances which are character-Istic of such a time, could, and often did, immediately re-issue the notes which had been returned to it in exchange for bullion. It is a great error, certainly, to suppose that the mischief of this reassue chiefly consisted in proventing a contraction of the currency It was, however, quito as mischievous as it has ever been supposed to be As long as it lasted. the efflux of gold could not cease, | , § 4 But however this may be it since neither would prices fall nor | seems to me certain that these ad

interest rise while these advances con-Prices, having risen without any increase of bank notes, could well have fallen without a diminution of them, but having risen in consequence of an extension of credit, they could not fall without a contraction of As long, therefore, as the Bank of England and the other banks persevered in this course, so long gold continued to flow out, until so little was left that the Bank of England, being in danger of suspension of payments, was compelled at last to contract its discounts so greatly and suddenly as to produce a much more extreme variation in the rate of interest, inflict much greater loss and distress on individuals, and destroy a much greater amount of the ordinary credit of the country, than any real necessity required. I acknowledge, (and the experience

of 1847 has proved to those who overlooked it before,) that the mischief now described, may be wrought, and in large measure, by the Bank of England, through its deposits alone It may continue or even increase its discounts and advances, when it ought to contract them, with the ultimate effect of making the contraction much more severe and sudden than neces-I cannot but think, however, that banks which commit this error with their deposits, would commit it still more if they were at liberty to make increased loans with their issues as well as their deposits. I am com pelled to think that the being restricted from increasing their issues, is a real impediment to their making those advances which arrest the tide at its turn, and make it rush like a torrent afterwards $\,$ and when the $\,$ Act $\,$ is blamed for interposing obstacles at a time when not obstacles but facilities are needed, it must in justice receive credit for interposing them when they are an acknowledged benefit. In this particular, therefore, I think it cannot

be denied, that the new system is a

real improvement upon the old

vantages, whatever value may be shape of deposits, or would be locked up put on them, are purchased by still in the drawers of the private Lendon

greater disadvantages In the first place, a large extension of credit by bankers, though most hurtful when, credit being already in an inflated state, it can only serve to retard and aggravate the collapse, 15 most salutary when the collapse has come, and when credit instead of being in excess is in distressing deficiency, and increased advances by bankers, instead of being an addition to the ordinary amount of floating credit, serve to replace a mass of other credit which has been suddenly destroyed Antecedently to 1844, if the Bank of England occasionally aggravated the severity of a commercial revulsion by § rendering the collapse of oredit more tardy and thence more violent than necessary, it in return rendered invaluable services during the revulsion itself, by coming forward with ad vances to support solvent firms, at a time when all other paper and almost all mercantile credit had become comparatively valueless This service was eminently conspicuous in the crisis of 1825-6, the severest probably ever experienced, during which the Bank increased what is called its circula tion by many millions, in advances to those mercantile firms of whose ultimate solvency it felt no doubt, ad vances which if it had been obliged to withhold, the severity of the crisis would have been still greater than it was If the Bank, it is justly remarked by Mr Fullarton,* complies with such applications, "it must comply with them by an issue of notes, for notes constitute the only instrumentality through which the Bank is in the practice of lending its credit But those notes are not intended to circulate, nor do they circulate There as no more demand for circulation than there was before On the contrary, the rapid decline of prices which the case in supposition presumes, would necessarily contract the demand for The notes would either be returned to the Bank of England, as fast as they were issued, in the

in the drawers of the private London bankers, or distributed by thom to their correspondents in the country, or intercepted by other capitalists, who, during the fervour of the provious excitement, had contracted habilities which they might be imperfectly pre pared on the sudden to encounter such emergencies, every man con nected with business, who has been trading on other means than his own. is placed on the defensive, and his whole object is to make himself as strong as possible, an object which cannot be more effectually answered than by keeping by him as large a reserve as possible in paper which the law has made a legal tender notes themselves never find their way into the produce market, and if they at all contribute to retard" (or, as I should rather say, to moderate) "the fall of prices, it is not by promoting in the slightest degree the effective demand for commodities, not by enabling consumers to buy more largely for consumption, and so giving briskness to commerce, but by a process pre cisely the reverse, by enabling the holders of commodities to hold on, by obstructing traffic and repressing consumption

The opportune role of thus afforded to credit, during the excessive contraction which succeeds to an undue expansion, is consistent with the principle of the new system, for an extraordinary con' traction of credit, and fall of prices, mevitably draw gold into the country, and the principle of the system is that the bank note currency shall be per mitted, and even compelled, to enlarge itself, in all cases in which a metallic currency would do the same what the principle of the law would encourage, its provisions in this instance preclude, by not suffering the increased issues to take place until the gold has actually arrived, which is never until the worst part of the crisis is past, and almost all the losses and failures attendant on it are consum-The machinery of the system mated withholds, until for many purposes it comes too late, the very medicine

which the theory of the syst in pre-

This function of banks in filling up the gap made in increantile credit by the consequences of undus speculation and its revulsion, is to entirely indisrensable, that if the Act of 1844 con tinues unrepealed, there can be no difficulty in foresceing that its provisions must be suspended, as they were in 1817, in ever, period of great commercial difficulty, as soon as the crisis has really and completely ret in † Were this all, there would be no ab olute inconsistency in maintaining the restriction as a means of preventing a crisis, and relaxing it for the purpose Put there is another of relieving one objection, of a still more radical and comprehensive character, to the new gretein

Professing, in theory, to require that la paper currency shall vary in its amount in exact conformity to the variations of a metallic currency, it provides, in fact, that in every case of an efflux of gold, a corresponding diminution shall take place in the quantity of bank notes, in other words, that every exportation of the precious metals shall be virtually drawn from the circulation it being assumed that this would be the case if the currency were wholly metallic This theory, and these practical arrangements, are adapted to the case in which the drain of gold originates in a rise of prices produced by an undue expansion of currency or credit, but they are adapted to no case beside

When the efflux of gold is the last

* True, the Bank is not precluded from making increased advances from its deposits, which are likely to be of unusually large amount, since, at these periods every one leaves his money in deposit in order to have it within call. But that the deposits are not always sufficient, was conclusively proved in 1647 when the Bank stretched to the very utmost the means of relieving commerces which its deposits afforded, without allaving the panic, which however ceased at once when the Government decided on suspending the text.

t This prediction was verified on the very next occurrence of a commercial crisis, in 1857, when Government were again under the necessity of suspending, on their own ro spondibility, the provisions of the Act.

singe of a a ties of effects arising from? no increase of the currency, or from an a expression of credit to tomoral in its effect on prices to an i in are of curroncy, it is in that erre a fair avenumption that in a parely metallic system the hold exported would be drawn from the currency strolf, because such a drum, being in its nature unlimited, will necessarily continue as long as currency and credit are un humanished Put an exportation of this precious metals often arress from no causes affecting currency or credit, but simply from an unusual extension of forcian payments, arising either from the state of the markets for commodities, or from rome circumstance not commercial In this class of course, four, of power ful operation, are included, of each of which the last lifty years of English instory afford repeated instances first is that of an extraordicary foreign expenditure by government, either political or military, as in the revolu tionary war, aid, as long as it lasted, during the late war with Museia. The b record in the case of a large experia-; tion of capital for foreign inrestment, such as the loans and mining operations which partly contributed to the erms of 1827, and the American speculations which were the principal The third cause of the crisis of 1819 entries of ar equip to unlind a er which supply the raw material of am portant mannfactures, such as the cotton failure in America, which com pelled England, in 1847, to incur unusual liabilities for the purchase of that commodity at an advanced price The fourth is a bid harvest, and al great consequent importation of food, of which the years 1846 and 1847 presented an example surpassing all antecedent experience In none of these cases, if the cur-

In none of these cases, if the currency were metallic, would the gold or silver exported for the purposes in question be necessarily, or even probably, drawn wholly from the circulation. It would be drawn from the hoards, which under a metallic currency always exist to a very large amount, in uncivilized countries, in the hands of all who can afford it, in

civilized countries chiefly in the form of bankers' reserves. Mr. Tooke, in his "Inquiry into the Currency Principle," bears testimony to this fact, but it is to Mr. Fullarton that the public are indebted for the clearest and most satisfactory clucidation of it. As I am not aware that this part of the theory of currency has been set forth by any other writer with anything like the same degree of completeness, I shall quote somewhat largely from this

able production "No person who has ever resided in an Asiatic country, where hearding is carried on to a far larger extent in proportion to the existing stock of wealth, and where the practice has become much more deeply engrafted in the habits of the people, by tradi tionary apprehensions of insecurity and the difficulty of finding safe and remunerative investments, than in any I uropean community-no person who has had personal experience of this state of society, can be at a loss to recollect innumerable instances of large metallic treasures extracted in times of pecuniary difficulty from the coffers of ndividuals by the temptation of a high rate of interest, and brought in and of the public necessities, nor, on the other hand, of the facility with which those treasures have been absorbed again, when the inducements which had drawn them into light were In countries no longer in operation more advanced in civilization and wealth than the Asiatic principalities, and where no man is in fear of attracting the cupidity of power by an external display of riches, but where the interchange of commodities is still almost universally conducted through the medium of a metallic circulation. as is the case with most of the com mercial countries on the Continent of Europe, the motives for amassing the precious metals may be less powerful than in the majority of Asiatic principalities, but the ability to accumulate being more widely extended, the absolute quantity amassed will be found probably to bear a considerably larger proportion to the population *

. It is known, from unquestionable facts,

those states which he exposed to hostile invasion, or whose social condition is unsettled and menacing, the motive indeed must still be very strong, and in a nation carrying on an extensive commerce, both foreign and internal, without any considerable aid from any of the banking substitutes for money, the reserves of gold and silver indisponsably required to secure the regularity of payments, must of themselves engross a share of the circulating coin which it would not be easy to estimate.

"In this country, where the banking system has been carried to an extent and perfection unknown in any other part of Europe, and may be said to have entirely superseded the use of coin, except for retail dealings and the purposes of foreign commerce, the in centives to private hearding exist no longer, and the hoards have all been transferred to the banks, or rather, I should say, to the Bank of England But in France, where the bank note circulation 19 stıll comparatively? limited, the quantity of gold and silver com in existence I find now currently estimated, on what are described as the latest authorities, at the enormous sum of 120 millions sterling, nor is the estimate at all at variance with the reasonable probabilities of the case this vast treasure there is every reason to presume that a very large proportion, probably by much the greater part, is absorbed in the hoards If you present for payment a bill for a thousand francs to a French banker, he brings you the silver in a sealed big from his strong room And not the banker only, but every merchant and trader, according to his means, is under the necessity of keeping by him a stock of cash sufficient not only for his ordinary disbursements, but to meet any unexpected demands That the quantity of specie accumulated in these innu

that the hoards of money at all times existing in the hands of the French peasantry, often from a remote date, surpass any amount which could have been imagined possible, and even in so poor a country as Ireland, it has of late been ascertained, that the small farmers sometimes possess hoards quite disproportioned to their visible means of substance.

merable depote, not in France only, but I all over the Continent, where banking institutions are still either entirely wanting or very imperfectly organized, is not merely immense in itself, but admits of being largely drawn upon, and transferred even in vast masses from one country to another, with very little, if any, effect on prices, or other material derangements, we have had some remarkable proofs " among others, "the signal succe a which attended the simultaneous (florts of some of the principal I uropean powers (Russin, Austria, Prussia, Sweden, and Donmark) to replenish their treasuries, and to replace with coin a considerable portion of the depreciated paper which the necessities of the war had forced upon them, and this at the very time when the available stock of the precious metals over the world had been reduced by the exertions of Fingland to recover her metallic currency

There can be no doubt that there combined operations were on a scale of very extraordinary magnitude, that ther were accomplished without any sensible injury to commerce or public prosperity, or any other effect than some temporary derangement of the exchanges, and that the private hourds of treasure accumulated throughout Europe during the war must have been the principal source from which all this gold and silver was collected. And no person, I think, can fairly contemplate the vast superflux of metallic wealth thus proved to be at all times in existence, and, though in a dormant and mert state, always ready to spring into activity on the first indication of a sufficiently intense demand, without feeling themselves compelled to admit the possibility of the mines being even shut up for years together, and the production of the metals altogether suspended, while there might be scarcely a perceptible alteration in the exchangeable value of the metal."*

Applying this to the currency doctrine and its advocates, "one might imagine," says Mr Fullarton, + "that

1 lb pp. 139-42.

they supposed the gold which is drained off for exportation from a country neing a currency exclusively metalica to be collected by dull lets at the fare and markets, or from the tills of the provers and moreover They never even allude to the existence of such a thirg as a great I card of the metels, though apon the action of the hounds depends the whole eccuracy of international payments between specie-circulating communities, while any operation of the money collected in hourds upon prices must, even according to the currency hypothesis, be wholly impos He know from experience what enormous payments in gold and silver specie-circulating countries are capable. at times, of making, without the least disturbance of their internal spenty, and whence is it supposed that there payments come but from their hoards? Let us think how the money market of a country transacting all its exclinages through the medium of the precions metals only, would be likely to be affected by the necessity of making a foreign payment of several mullions Of course the necessity could only be exticfied by a transmission of capital, and would not the competition for the possession of capt tal for transmission which the occusion would call forth, necessarily raise the market rate of interest? If the pay ment was to be made by the govern ment, would not the government, in all probability, have to open a new loan on terms more than usually favourable to the lender?" If made by merchants, would it not be drawn oither from il o deposits in banks, or from the reserves which merchants leep by them in dofault of banks, or would it not oblige them to obtain the necessary amount of specie by going into the money market as borrowers? "And would not all thus mevitably act upon the hoards, and draw forth into activity a portion of the gold and silver which the money-dealers had been accumulating, and some of them with tho express view of watching such opportumbes for turning their treasures to advantage? "To come to the present time

^{*} Fullarton on the Regulation of Currencies,

[1844], the balance of payments with | nearly all Europe has for about four years past been in favour of this country, and gold has been pouring in till the influx amounts to the unheard-of sum of about fourteen millions sterling Yet in all this time, has any one heard a complaint of any serious suffering inflicted on the people of the Continent? Have prices there been greatly de pressed beyond their range in this country? Have wages fallen, or have merchants been extensively ruined by the universal depreciation of their stock? There has occurred nothing of the kind The tenor of commercial and monetary affairs has been everywhere even and tranquil, and in France more particularly, an improving revenue and extended commerce bear testimony to the continued progress of internal prosperity. It may be doubted, indeed, if this great efflux of gold has withdrawn from that portion of the metallic wealth of the nation which really circulates, a single napoleon And it has been equally obvious, from the undisturbed state of credit, that not only has the supply of specie indispensable for the conduct of business in the retail market been all the while uninterrupted, but that the hoards have continued to furnish every facility requisite for the regularity of mercan-It is of the very tile payments essence of the metallic system, that the heards, in all cases of probable occurrence, should be equal to both objects, that they should, in the first place, supply the bullion demanded for exportation, and in the next place, should keep up the home circulation to its legitimate complement. Every man trading under that system, who, in the course of his business may have frequent occasion to remit large sums in specie to foreign countries, must either keep by him a sufficient treasure of his own or must have the means of borrowing enough from his neighbours, not only to make up when wanted the amount of his remittances, but to enable him, moreover, to carry on his ordinary transactions at home without interruption"

In a country in which credit is

carried to so great an extent as in England, one great reserve, in a single establishment, the Bank of England, supplies the place, as far as the precious metals are concerned, of the mu'-li titudinous reserves of other countries! The theoretical principle, therefore, of the currency doctrine would require, that all those drains of the metal. which, if the currency were purely metallic, would be taken from the hoards, should be allowed to operate freely upon the reserve in the coffers of the Bank of England, without any attempt to stop it either by a diminution of the currency or by a contraction of credit Nor to this would there be any well grounded objection, unless the drain were so great as to threaten the exhaustion of the reserve, and a consequent stoppage of payments, a danger against which it is possible to take adequate precautions, because in the cases which we are considering, the drain is for foreign payments of definite amount, and stops of itself as soon as these are effected And in all systems it is admitted that the habitual reserve of the Bank should exceed the utmost amount to which experience warrants the belief that such a drain may extend, which extreme limit millions, but Mr Tooke recommends an average reserve of ten, and in his last publication, of twelve millions! Under these circumstances, the habitual reserve, which would never be employed in discounts, but kept to be paid out exclusively in exchange for cheques or bank notes, would be sufficient for a crisis of this description, which therefore would pass off without having its difficulties increased by a contraction, either of credit or of the circulation. But this, the most advantageous denouement that the case admits of, and not only consistent with, but required by, the professed principle of the system, the panegyrists of the system claim for it as a great ment that it prevents They boast, that on the first appearance of a drain for exportation, (whatever may be its cause, and whether under a metallic currency it would involve a contraction of credit

or not) the Bank is at once of her it of take is soft are presentions for its control its at once And this, be it or nearly. We remembered, when there has been not form, or the part of the Blank, was a specialistic in a or process which it is hard by a drain or six pullo is are not not not, but the dimand for gold is as it there. The lease Department potent account of government, or large or main portainous consequent on a had harvest though the time.

Even supposing that the rewree is insufficient to meet the foreign pay ments, and that the moons whereauth ! to make them have to be taken for it the leanable expits) of the country, the , consequence of which is a rise of the rate of interest in such circumstances some pressure on the money market is unavoidable, but that pressare is much increased in severity by the separation of the banking from the 1980s depart ment. The case is generally stated as if the Act only operated in one wat, namely, by preventing the Bank, when it has parted with (ray) three millions of bullion in exchange for thr i million* of its notes, from again lending those notes, in discounts or other advances But the Act really does much more than this It is well known, that the first operation of a drain is always on the banking department. The bank Reposits constitute the bulk of the unemploved and disposable capital of the country, and capital wanted for foreign payments is almost always obtained ! mainly by drawing out deposits poving three millions to be the amount wanted, three millions of notes are drawn from the banking department (either directly or through the private bankers, who keep the bulk of their reserves with the Bank of England), and the three millions of notes, thus obtained, are presented at the Issue Department, and exclininged against gold for exportation Thus a drain upon the country at large of only three millions, is a drain upon the Bank vir tually of six millions The deposits have lost three millions, and the reserve of the Issue Department has lost an equal amount As the two departments, so long as the Act remains in operation, cannot even in the utmost extremity help one another, each must !

firm, on the part of the Rose, west have be not fired universheaf i again a he a drain of six millions are not rea deed newscarp by a deam of the His land Dopartment is steel ! steell in the manner free mindly the Act, by not re-france the fire and lions of no except obtained been neared to it has its Binking Department must take measures to rept at h and re erre, which has been reduced by the milione. Its listing a based also decreased three millions by the least that among the deposits, there energ en the endinate ha iking per cip's of a thirl of the list thine, will be ar a reduction of one million other two millions it must you ore tr letting that amount of a learness rea out, and not renewing them only must it raise its rate of incorest, but it must effect, by whatever rienne, a diminution of two millione in the total amount of its the ourts or it Lander fault a na ot sommon se ll se turi a This riplent action on the tracter mar ket for the purpose of repenishing the Hanking reserve, is who is occasion I by the Act of 1844. If the restrictions of that Act did not exist, the Hank, instead of contracting its discounts, would simply transfer two millions, either in gold or in n tes, frem the lesur to the Banking Digardment, not m order to lend them to the public leat to secure the solv nev of the Hraking Department in the event of further un expected demands by the depositors And unless the drain continued, and reached so great an amount as to seem likely to exceed the whole of the rold in the reserves of both departments, the Bank would be under no necessity, while the pressure listed, of withhold ing from commerce its accustomed amount of accommodation, at a rate of interest corresponding to the increased demand.*

This which I have called "the double action of drains," has been strangely under stood as if I had ascerted that the Bank is compelled to part with six millions worth of property by a drain of three millions. Such an assertion would be too about to require any refutation. Drains have a

! I am aware it will be said that by allowing drains of this character to operate freely upon the Bank reserve until they cease of themselves, a contraction of the currency and of credit would not be prevented, but only postponed, since if a limitation of issues were not resorted to for the purpose of checking the drain in its commencement, the same or a still greater limi tation must take place afterwards, in order, by acting on prices, to bring back this large quantity of gold, for the indispensable purpose of replenishing the Bank reserve But in this argument several things are overlooked first place, the gold might be brought back, not by a fall of prices, but by the much more rapid and convenient medium of a rise of the rate of interest, involving no fall of any prices except the prices of securities Either English securities would be bought on account of foreigners, or foreign secu rities held in England would be sent abroad for sale, both which operations took place largely during the mercan

double action, not upon the pecuniary posi-tion of the Bank itself, but upon the measures it is forced to take in order to stop Though the Bank itself is no the drain poorer its two reserves, the reserve in the banking department and the reserve in the Issue department, have each been reduced three millions by a drain of only three And as the separation of the departments renders it necessary that each of them separately should be kept as strong as the two together need be if they could help one another, the Bank s action on the money market must be as violent on a drain of three millions, as would have been required on the old system for one of six. The reserve in the banking department being less than it otherwise would be by the entire amount of the bul lion in the issue department, and the whole amount of the drain falling in the first instance on that diminished reserve, the pressure of the whole drain on the half reserve is as much felt, and requires as strong measures to stop it, as a pressure of twice the amount on the entire reserve As I have said else where it is as if a man having to lift a weight were restricted from using both hands to do it, and were only allowed to use one hand at a time; in which case it would be necessary that each of his hands should be as strong as the two together "

tile difficulties of 1847, and not only checked the efflux of gold, but turned the tide and brought the metal back. It was not, therefore, brought back by a contraction of the currency, though in this case it certainly was so by a contraction of loans But even this is not always indispensable For in the second place, it is not necessary that the gold should return with the same suddenness with which it went out A great portion would probably return in the ordinary way of commerce, in payment for exported commodities extra gains made by dealers and producers in foreign countries through the extra payments they receive from this country, are very likely to be partly expended in increased purchases of English commodities, either for con sumption or on speculation, though the effect may not manifest itself with sufficient rapidity to enable the transmission of gold to be dispensed with in the These extra purchases first instance would turn the balance of payments in favour of the country, and gradually restore a portion of the exported gold, and the remainder would probably be brought back, without any considerable rise of the rate of interest in England, by the fall of it in foreign countries, occasioned by the addition of some millions of gold to the loanable capital of those countries Indeed, in the state of things consequent on the gold discoveries, when the enormous quantity of gold annually produced in Australia, and much of that from California, is distributed to other countries through England, and a month seldom passes without a large arrival, the Bank reserves can replenish themsolves with out any re-importation of the gold previously carried off by a drain is needful is an intermission, and a very brief intermission is sufficient, of the exportation

For these reasons it appears to me, that notwithstanding the beneficial operation of the Act of 1844 in the first stages of one kind of commercial crisis (that produced by over speculation), it on the whole materially aggravates the severity of commercial revulsions. And not only are contractions

^{*} Evidence before the Committee of the House of Commons on the Bank Acts, in 1854

they are also made greatly more frequent "Suppose, saw Mr Greeze Walker, in a clear, impartial, and e n clusive series of papers in the Aberdeen Herald, forming one of the best exist ing discurs maif the present quistion -"suppose that, of eighteen nations of gold ten are in the leave department and eight are in the Lanking depart-The result is the same as under a metallic currency with only eacht rillions in reserve instead of eighes n

The effect of the Bank Act is, that the proceedings of the Bank under a drain are not determined by the amount of gold within its vaults, but t are, or ought to be, determined by the portion of at belonging to the lanking With the while of the department gold et its disposal it may find it unnecessary to interfere with credit, er force down prices, if a drain leave a fur meers behind. With only the blinking neerve at its disposal, it must, from the narrow margin it has to operate on, meet all drains by counter ctives more or less strong, to the minry of the commercial world, and if it fail to do so, as it may fail, the consequence is destruction. Hence the extraordinary and frequent variations of the rate of interest under the Bank Act 1847, when the eyes of the Bank were opened to its true polition, it has felt it necessary, as a precautionary measure, that every variation in the reservo should be accompanied by an alteration in the rate of interest" To make the Act innocuous, therefore, it would be necessary that the Bank, in addition to the whole of the gold in the Issue Department, should retain as great a reserve in gold or notes in the Banking Department alone, as would suffice under the old system for the security both of the issues and of the deposits

There remain two questions respecting a hank note currency, which have also been a subject of coust derable discussion of late years whe , ther the privilege of providing it should be confined to a single establishment, such as the Bank of England, or a plurality of issuers should be allowed

of credit made more envery by the Act, 1 and in the Is for case, wheelver a cr procline present one em regis to er h le ratte to project the hellersefrates ! a sure by we corner and by the lastle ? venue of the feather

The cian of the prevale a specia latio a lie tel ta to attach as I are less of J cultur amy a store to back norm an compact to the story resisted crelt, than acr do with the necessar percently entern that questant to spectically man lateral fragery small a part of the Reneval mess of credit ennant appareto read on h momentale n port neill expression to excent extere ! Hark rates, lawarer, hiera so far ar il pechante, that they are the only form of credit enfliciently convenient for all the purper a of circulation, to be able entirely to empoyed to the needs metallic moter for internal purposes. Theach the extension of the use of studyers has a tend ney more and m to to d tailash the number of bonk nows, no reveald that of the coverience or other evins which noild take their place if their were abolished, the elisate, for a long time to ceme, to be a comulerable supply of them wherever the recessary degree of commercial confirmed exists. and their free use is permitted exclusive privilege, therefore, of remag them, if reserved to the government or to some one ledy, is a source of great pecuniary gain. That this gain should be obtained for the nation at large is both practical le and distrable and if the management of a bank note cor rency ought to be an completely mechanical, so entirely a thing of fixed rule as it is made by the Act of 1544, there ecems no reason why this mechanism should be worked for the proft of any private issuer, inther than for the pulhe treasury. If, however, a plan be preferred which leaves the variations in the amount of issues in any degree whatever to the discretion of the ismerit is not desimble that to the ever grow ing attributions of the government, so delicate a function should be super added, and that the attention of the heads of the state should be diverted from larger objects, by their being besieged with the applications, and made a mark for all the attacks, which are

never spared to those deemed to be responsible for any acts, however minute, connected with the regulation of It would be better that the currency treasure notes, exchangeable for gold on demand, should be assued to a fixed imount, not exceeding the minimum of bank note currency, the remainder of the notes which may be required being est to be supplied either by one or by a number of private banking establish-Or an establishment like the Bank of England might supply the whole country, on condition of lending fifteen or twenty millions of its notes to the government without interest, which would give the same pecuniary advantage to the state as if it issued that number of its own notes

The reason ordinarily alleged condemnation of the system of plurality of issuers which existed in England before the Act of 1844, and under certain limitations still subsists, 18, that the competition of these different issucrs induces them to increase the amount of their notes to an injurious extent. But we have seen that the power which bankers have of augmenting their issues, and the degree of mischief which they can produce by it, are quite trilling compared with the current over-estimate As remarked by Mr Fullarton, the extraordinary increase of banking competition occasioned by the establishment of the joint-stock banks, a competition often of the most reckless kind, has proved utterly powerless to enlarge the aggregate mass of the bank note circulation, that aggregate circulation having, on the contrary, actually decreased the absence of any special case for an exception to freedom of industry, the general rule ought to prevail pears desirable, however, to maintain one great establishment like the Bank of England, distinguished from other banks of issue in this, that it alone is required to pay in gold, the others being at liberty to pay their notes with notes of the central establishment The object of this is that there may be one body, responsible for maintaining a reserve of the precious metals sufficient

to meet any drain that can reasonably be expected to take place. By disse minating this responsibility among a number of banks, it is prevented from operating efficaciously upon any or if it be still enforced against one, the reserves of the metals retained by all the others are capital kept idle in pure waste, which may be dispensed with by allowing them at their option to pay in Bank of England notes

§ 6 The question remains whether, i in case of a plurality of issuers, any peculiar precautions are needed to protect the holders of notes from the consequences of failure of payment Before 1826, the insolvency of banks of issue was a frequent and very serious evil, often spreading distress through a whole neighbourhood, and at one blow depriving provident industry of the results of long and painful saving. This was one of the chief reasons which induced Parliament, in that year, to prohibit the issue of bank notes of a denomination below five pounds, that the labouring classes at least might be as little as possible exposed to participate As an additional in this suffering safeguard, it has been suggested to give the holders of notes a priority over other creditors, or to require bankers to deposit stock or other public securities as a pledge for the whole amount of their issues The insecurity of the former bank note currency of England was partly the work of the law, which, in order to give a qualified monopoly of banking business to the Bank of England, had actually made the formation of safe banking establishments a punishable offence, by prohibiting the existence of any banks, in town or country, whether of issue or deposit, with a number of partners exceeding six This truly characteristic specimen of the old system of monopoly and restriction was done away with in 1826, both as to issues and deposits, everywhere but in a district of sixtyfive miles radius round London, and in 1833 in that district also, as far as relates to deposits It was hoped that the numerous joint-stock banks since established, would have furnished a

more trustworthy currency, and that under their influence the banking system of England would have been almost as secure to the public as that of Scotland (where banking was always free) has been for two conturies past. But the almost incredible instances of reckless and fraudulent mismanagement which these institutions have of late afforded (though in some of the most notorious cases the delinquent esta-

blishments have not been banks of issue), have shown only too clearly that south of the I weed at least, the joint-stock principle applied to banking is not the adequate safeguard it was so confidently supposed to be and it is difficult now to resist the conviction, that if plurality of issuers is allowed to exist, some kind of special security in favour of the holders of notes should be exacted as an imperative condition.

CHAPTER XXV

OF THE COMPETITION OF DIFFERENT COUNTRIES IN THE SAME MARKET

In the phraseology of the Mercantile System, the language and doctrines of which are still the basis of what may be called the political economy of the selling classes, as distin guished from the buyers or consumers, there is no word of more frequent recurrence or more perilous import To un than the word underselling dersell other countries - not to be undersold by other countries - were spoken of, and are still very often spoken of almost as if they were the sole purposes for which production and commodities exist. The feelings of rival tradesmen, prevailing among nations, overruled for centuries all sense of the general community of advantage which commercial countries derive from the prosperity of one an other and that commercial spirit which is now one of the strongest obstacles to wars, was during a certain period of European history their principal cause

Even in the more enlightened view now attainable of the nature and con sequences of international commerce, some, though a comparatively small, space must still be made for the fact of commercial rivality. Nations may, like individual dealers, be competitors, with opposite interests, in the markets of some commodities, while in others they are in the more fortunate relation of reciprocal customers. The benefit

of commerce does not consist, as it was once thought to do, in the commodities sold, but, since the commodities sold are the means of obtaining those which are bought, a nation would be cut off from the real advantage of commerce, the imports, if it could not induce other nations to take any of its commodities in exchange, and in proportion as the competition of other countries compels it to offer its commodities on cheaper terms, on pain of not selling them at all, the imports which it obtains by its foreign trade are procured at greater cost

These points have been adequately, though incidentally, illustrated in some of the preceding chapters. But the great space which the topic has filled, and continues to fill, in economical speculations, and in the practical anxieties both of politicians and of dealers and manufacturers, makes it desirable, before quitting the subject of international exchange, to subjoin a few observations on the things which do, and on those which do not, enable countries to undersell one another

One country can only undersell an other in a given market, to the extent of entirely expelling her from it, on two conditions. In the first place, she must have a greater advantage than the second country in the production of the article exported by both, meaning by a greater advantage (as has been al-

fready so fully explained) not absolutely, but in comparison with other commodities, and in the second place, such must be her relation with the customer country in respect to the demand for each other's products, and such the consequent state of international values, as to give away to the customer country more than the whole advantage possessed by the rival country, otherwise the rival will still be able to hold her ground in the market

Let us revert to the imaginary hypothesis of a trade between England and Germany in cloth and linen England heing capable of producing 10 yards of cloth at the same cost with 15 yards of Inen, Germany at the same cost with 20, and the two commodities being exchanged between the two countries (cost of carriage apart) at some intermediate rate, say 10 for 17 Germany could not be permanently undersold in the English market, and expelled from it, unless by a country which offered not merely more than 17, but more than 20 yards of linen for 10 of cloth Short of that, the competition would only oblige Germany to pay dearer for cloth but would not disable her from exporting linen The country, therefore, which could undersell Germany, must, in the first place, be able to produce linen at less cost, compared with cloth, than Germany herself, and in the next place, must have such a demand for cloth, or other English commodities, as would compel her, even when she became sole occupant of the market, to give a greater advantage to England than Germany could give by resigning the whole of hers, to give, for example, 21 yards for 10 For if not-if, for example, the equation of international demand, after Germany was excluded, gave a ratio of 18 for 10, Germany could again enter into the competition, Germany would be now the underselling nation, and there would be a point, perhaps 19 for 10, at which both countries would be able to maintain their ground, and to sell in England enough linen to pay for the cloth, or other English commodities, for which, on these newly adjusted terms of interchange, they had a de-

mand In like manner, England, as an exporter of cloth, could only be driven from the German market by some rival whose superior advantages in the production of cloth enabled her. and the intensity of whose demand for German produce compelled her, to offer 10 yards of cloth, not merely for less than 17 yards of linen, but for less In that case, England could no longer carry on the trade without loss, but in any case short of this, she would merely be obliged to give to Germany more cloth for less linen than she had previously given

It thus appears that the alarm of being permanently undersold may be taken much too easily, may be taken when the thing really to be anticipated is not the loss of the trade, but the minor inconvenience of carrying it on at a diminished advantage, an inconvenience chiefly falling on the consumers of foreign commodities, and not on the producers or sellers of the exported It is no sufficient ground of apprehension to the English producers. to find that some other country can sell cloth in foreign markets at some particular time, a trifle cheaper than they can themselves afford to do in the existing state of prices in England Suppose them to be temporarily unsold, and their exports diminished, the imports will exceed the exports, there will be a new distribution of the precious metals, prices will fall, and as all the money expenses of the English producers will be diminished, they will be able (if the case falls short of that stated in the preceding paragraph) again to compete with their rivals The loss which England will incur, will not fall upon the exporters, but upon those who consume imported commodities, who, with money incomes reduced in amount, will have to pav the same or even an increased price for all things produced in foreign countries

\$2 Such, I conceive, is the true theory, or rationale, of underselling It will be observed that it takes no account of some things which we hear spoken of, oftener perhaps than any

others, in the character of causes ex-

According to the preceding doctrine, a country cannot be undersold in any commodity, unless the rival country has a stronger inducement than itself for devoting its labour and capital to the production of the commodity, arising from the fact that by doing so it occasions a greater saving of labour and capital, to be shared between itself and its customers—a greater increase of the aggregate produce of the world underselling, therefore, though a loss to the undersold country, is an advan tage to the world at large, the substituted commerce being one which economizes more of the labour and capital of mankind, and adds more to their collective wealth, than the commerce superseded by it. The advan tage, of course, consists in being able to produce the commodity of better quality, or with less labour (compared with other things), or perhaps not with less labour, but in less time, with a less prolonged detention of the capital employed. This may arise from greater natural advantages (such as soil, climate, richness of mines), superior capability, either natural or acquired, in the labourers, better division of labour. and better tools, or machinery there is no place left in this theory for the case of lower wages This, however, in the theories commonly current, is a favourite cause of underselling We continually hear of the disadvan tage under which the British producer labours, both in foreign markets and even in his own, through the lower wages paid by his foreign rivals These lower wages, we are told, enable, or are always on the point of enabling them to sell at lower prices, and to dislodge the English manufacturer from all markets in which he is not artificially protected

Before examining this opinion on grounds of principle, it is worth while to bestow a moment's consideration upon it as a question of fact. Is it true that the wages of manufacturing labour are lower in foreign countries than in England, in any sense in which low wages are an advantage to the

The artisan of Ghent or capitalist? Lyons may carn less wages in a day, but does he not do less work? Degrees of efficiency considered, does his labour cost less to his employer? Though wages may be lower on the Continent, 18 not the Cost of Labour, which is the real element in the competition, very nearly the same? That it is so seems the opinion of competent judges, and 18 confirmed by the very little difference in the rate of profit between England and the Continental countries so, the opinion is absurd that English producers can be undersold by their Continental rivals from this cause is only in America that the supposition is prima facie admissible. In America, wages are much higher than in England, if we mean by wages the daily earnings of a labourer but the productive power of American labour is so great-its efficiency, combined with the favourable circumstances in which it is exerted, makes it worth so much to the purchaser, that the Cost of Labour is lower in America than in England, as is indicated by the fact that the general rate of profits and of interest is higher

§ 3 But is it true that low wages, even in the sense of low Cost of Labour, enable a country to sell cheaper in the foreign market? I mean, of course, low wages which are common to the whole productive industry of the country

If wages, in any of the departments, of industry which supply exports, are li kept, artificially, or by some accidental cause, below the general rate of wages in the country, this is a real advantage in the foreign market. It lessens the comparative cost of production of those articles, in relation to others, and has the same effect as if their production required so much less labour Take, for instance, the case of the United States in respect to certain commodities In that country, tobacco and cotton, two great articles of export, are produced by slave labour, while food and manufactures generally are produced by free labourers, who either work on their own account or are paid

, by wages In spite of the inferior efficiency of slave labour, there can be no reasonable doubt that in a country where the wages of free labour are so high, the work executed by slaves is a better bargain to the capitalist whatever extent it is so, this smaller cost of labour, being not general, but limited to those employments, is just as much a crase of cheapness in the products, both in the home and in the foreign market, as if they had been made by a less quantity of labour the slaves in the Southern States were all emancipated, and their wages rose to the general level of the earnings of free labour in America, that country might be obliged to erase some of the Flave grown articles from the catalogue of its exports, and would certainly be unable to sell any of them in the foreign market at the accustomed price Their cherpness is partly an artificial cheapness, which may be compared to that produced by a bounty on production or on exportation or, considering the means by which it is obtained, an apter comparison would be with the cheapness of stolen goods.

An advantage of a similar economical, though of a very different moral character, is that possessed by domestic manufactures, fabrics produced in the leisure hours of families partially occupied in other pursuits, who, not depending for subsistence on the produce of the manufacture, can afford to sell it at any price, however low, for which they think it worth while to take the trouble of producing account of the Canton of Zurich, to which I have had occasion to refer on another subject, it is observed,* "The workman of Zurich is to-day a manufacturer, to-morrow again an agriculturist, and changes his occupations with the scasons, in a continual round Manu facturing industry and tillage advance h and in hand, in inseparable alliance, and in this union of the two occupations the secret may be found, why the simple and unlearned Swiss manufacturer can always go on competing, and increasing in prosperity, in the face of

* Historica', Geographical, and Statutical Picture of Switzerland, vol. i. p. 105 (1834)

those extensive establishments fitted out with great economic, and (what is still more important) intellectual, re-Even in those parts of the BOUTCES Canton where manufactures have extended themselves the most widely, only one seventh of all the families belong to manufactures alone, foursevenths combine that employment with agriculture The advantage of this domestic or family manufacture consists chiefly in the fact, that it is compatible with all other avocations, or rather that it may in part be regarded as only a supplementary em ployment In winter, in the dwellings of the operatives, the whole family employ themselves in it but as soon as spring app ars, those on whom the early field labours devolve, abandon the in-door work, many a shuttle stands still, by degrees, as the field work increases, one member of the family follows another, till at last, at the harvest, and during the so-called 'great works,' all hands seize the implements of husbandry, but in unfavourable weather, and in all otherwise vacant hours, the work in the cottage is resumed, and when the ungenial season again recurs, the people return in the same gradual order to their home occupation, until they have all resumed it"

In the case of these domestic manufactures, the comparative cost of production, on which the interchange between countries depends, is much, lower than in proportion to the quan tity of labour employed The work people, looking to the earnings of their loom for a part only, if for any part, of their actual maintenance, can afford to work for a less remuneration, than the lowest rate of wages which can permanently exist in the employments by which the labourer has to support the Working, whole expense of a family as they do, not for an employer but for themselves, they may be said to carry on the manufacture at no cost at all, except the small expense of a loom and of the material, and the limit of possible cheapness is not the necessity of hving by their tride, but that of earn ing enough by the work to make that

social employment of their leisure hours not disagreeable

\$ 4. These two cases, of slave labour and of domestic manufactures, exem uplify the conditions under which low wages enable a country to sell its commodities cheaper in foreign markets, and consequently to undersell its rivals, for to avoid being undersold by them But no such advantage is conferred by low wages when common to all branches of industry General low wages never caused any country to undersell its rivals, nor did general high wages ever hinder it from doing so

To demonstrate this, we must return to an elementary principle which was discussed in a former chapter * General low wages do not cause low prices. mor high wages high prices, within the Lountry itself General prices are not 'mised by a rise of wages, any more than they would be raised by an increase of the quantity of labour required in all production Expenses which affect all commodities equally, have no influence on prices If the maker of broadcloth or cutlery, and nobody else, had to pay higher wages, the price of his commolity would rise, just as it would if he had to employ more labour, because otherwise he would gain less profit than other producers, and nobody would engage in the employment. But if everybody has to pay higher wages, or everybody to employ more labour, the loss must be submitted to, as it affects every body alike, no one can hope to get rid of it by a change of employment, each therefore resigns himself to a diminution of profits, and prices remain as they were In like manner, general l low wages, or a general increase in the productiveness of labour, does not make prices low, but profits high If wages Ifall (meaning here by wages the cost of labour), why, on that account, should the producer lower his price? He will be forced, it may be said, by the com setition of other capitalists who will rowd into his employment But other capitalists are also paying lower wages, and by entering into competition with him they would gain nothing but what

Bupra, book ill, ch. ly

they are gaining already. The rate then at which labour is paid, as well as the quantity of it which is employed, affects neither the value nor the price of the commodity produced, except in so far as it is peculiar to that commodity, and not common to commodities generally

Since low wages are not a cause of low prices in the country itself, so neither do they cause it to offer its commodities in foreign markets at a lower price It is quite true that if the cost of labour is lower in America than in England, America could sell her cottons to Cuba at a lower price than England, and still gain as high a profit as the English manufacturer is not with the profit of the English manufacturer that the American cotton spinner will make his comparison, it 18 with the profits of other American These enjoy, in common capitalists with himself, the benefit of a low cost of labour, and have accordingly a high rate of profit. This high profit the cotton spinner must also have he will not content himself with the English It is true he may go on for a time at that lower rate, rather than change his employment, and a trade may be carried on, sometimes for a long period, at a much lower profit than that for which it would have been onginally engaged in Countries which have a low cost of labour, and high profits, do not for that reason undersell others, but they do oppose a more obstinate resistance to being undersold, because the producers can often submit to a diminution of profit without being unable to live, and even to thrive, by their business But thus is all which their advantage does for and in this resistance they will not long persevere, when a change of times, which may give them equal profits with the rest of their countrymen, has become manifestly hopeless

\$ 5 There is a class of trading and exporting communities, on which a c few words of explanation seem to be required. These are hardly to be looked upon as countries, carrying on an exchange of commodities with other

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countries, but more properly as outlying agricultural or manufacturing establishments belonging to a larger community Our West Inda colonies, for example, cannot be regarded as countries, with a productive capital of their own. If Manchester, instead of being where it is, were on a rock in the North Sea (its present industry nevertheless continuing), it would still be but a town of England, not a country trading with England, it would be merely, as now, a place where England finds it convenient to carry on her cotton manufacture The West Indies, in fike manner, are the place where England finds it convenient to carry on the production of sugar, coffee, and a few other tropical commodities All the capital employed 18 Figlish capital, almost all the industry is carried on for English uses, there is little production of anything except the staple commodities, and these are sent to England, not to be exchanged for things exported to the colony and consumed by its inhabitants, but to be sold in England for the benefit of the proprietors there trade with the West Indies is therefore hardly to be considered as external trade, but more resembles the traffic between town and country, and is amenable to the principles of the home The rate of profit in the colomes will be regulated by English profits the expectation of profit must be about the same as in England, with the addition of compensation for the disadvantages attending the more distant and hazardous employment and after allowance is made for those disadvantiges, the value and price of West India produce in the English market must be regulated (or rather must have been regulated formerly), like that of any English commodity, by the cost of production For the ast twelve or fifteen years this principle has been in abeyance the price was first kept up beyond the ratio of the cost of production by deficient supplies, which could not, owing to the deficiency of labour, be increased, and more recently the admission of foreign competition has introduced another a lower rate of profit at home, could

clement, and some of the West India Islands are undersold, not so much be cause wages are higher than in Cubi and Brazil, as because they are higher than in England for were they not so Jamaica could sell her sugars at Cubar prices, and still obtain, though not a Cuban, an English rate of profit

It is worth while also to notice an other class of small, but in this case independent communities. which have supported and enriched themselves almost without any productions of their own, (except ships and marine equipments,) by a mere carrying trade, and commerce of entrepôt, by buying the produce of one country, to sell it at a profit in another were Venice and the Hanse Townsi The case of these communities is very They made themselves and their capital the instruments, not of production, but of accomplishing exchanges between the productions of These exchanges are other countries attended with an advantage to those countries—an increase of the aggregate returns to industry—part of which went to indemnify the agents, for the necessary expense of transport, and another part to remunerate the use of their capital and mercantile skill Tho countries themselves had not capital disposable for the operation the Venetians became the agents of the general commerce of Southern Europe, they had scarcely any competitors the thing would not have been done at all without them, and there was really no limit to their profits except the limit to what the ignorant feudal nobility could and would give for the unknown luxuries then first presented to their sight. At a later period competition arose, and the profit of this operation, like that of others, became amenable to natural laws The carrying trade was taken up by Hol land, a country with productions of its own and a large accumulated ca-The other nations of Europe also had now capital to spare, and were capable of conducting their foreign but Hollana. trade for themselves having, from a variety of circumstances,

Holland, therefore, engrossed the that express purpose.

afford to carry for other countries at a | greatest part of the carrying trade ci smaller advance on the original cost of all those countries which did not keep the goods, than would have been re- it to themselves by Navigation Laws, quired by their own capitalists, and | constructed, like those of England, for 18,50

CHAPTER XXVL

OF DISTRIBUTION, AS AFFECTED BY EXCHANGE.

§ 1 We have now completed, as far as is compatible with our purposes and hmits, the exposition of the machinery through which the produce of a country 18 apportioned among the different classes of its inhabitants, which is no other than the machinery of Exchange, and has for the exponents of its operation, the laws of Value and of Price We shall now avail ourselves of the light thus acquired, to cast a retrospective glance at the subject of Dis tribution The division of the produce among the three classes, Labourers, Capitalists, and Landlords, when considered without any reference to Exchange, appeared to depend on certain general laws It is fit that we should now consider whether these same laws still operate, when the distribution takes place through the complex mechanism of exchange and money, or whether the properties of the mechanism interfere with and modify the presiding principles.

The primary division of the produce of human exertion and frugality is, as we have seen, into three shares, wages, profits, and rent, and these shares are portioned out to the persons entitled to them, in the form of money, and by a process of exchange, or rather, the capitalist, with whom in the usual arrangements of society the produce remains, pays in money, to the other two sharers, the market value of their labour and land. If we examine, on what the pecuniary value of labour, and the pecuniary value of the use of ! land, depend, we shall find that it is on the very same causes by which we

regulated if there were no money and

no exchange of commodities It is evident, in the first place, that the law of Wages is not affected by the existence or non-existence of Exchange or Money Wages depend on the ratio between population and capital, and would do so if all the capital in the world were the property of one association, or if the capitalists among whom it is shared maintained each an establishment for the production of every article consumed in the commu nity, exchange of commodities having no existence. As the ratio between capital and population, in all old countries, depends on the strength of the checks by which the too rapid increase of population is restrained, it may be said, popularly speaking, that wages depend on the checks to population, that when the check is not death, by starvation or disease ,wages depend on the prudence of the labouring people, and that wages in any country are habitually at the lowest rate, to which in that country the labourer will suffer them to be depressed rather than put a restraint upon multiplication

What is here meant, however, by wages, is the labourer's real scale of comfort, the quantity he obtains of the things which nature or habit has made necessary or agreeable to him wages in the sense in which they are of importance to the receiver sense in which they are of importance to the payer, they do not depend exclusively on such simple principles. Wages in the first sense, the wages on found that wages and rent would be | which the labourer's comfort depends,

we will call real wages, or wages in Wages in the second sense, we may be permitted to call, for the present, money wages, assuming, as it is allowable to do, that money remains for the time an invariable standard, no alteration taking place in the conditions under which the circulating medium itself is produced or obtained If money itself undergoes no variation In cost, the money price of labour is an exact measure of the Cost of Labour, and muy be made use of as a conve-

ment symbol to express it.

The money wages of labour are a compound result of two elements brat, teal wages, or wages in kind, or in other words, the quantity which the abourer obtains of the ordinary ar-Ricles of consumption, and secondly, the money prices of those articles all old countries—all countries in which the increase of population is in any degree checked by the difficulty of obtaining subsistence—the habitual money price of labour is that which will just enable the labourers, one with another, to purchase the commodities without which they either cannot or will not keep up the population at its customary rate of increase standard of comfort being given, (and by the standard of comfort in a labouring class, is meant that, rather than torego which, they will abstain from multiplication), money wages depend on the money price, and therefore on the cost of production, of the various articles which the labourers habitually consume because if their wages can not procure them a given quantity of these, their increase will slacken, and Of these articles, their wages rise tood and other agricultural produce ere so much the principal, as to leave little influence to anything else

It is at this point that we are enabled to invoke the aid of the principles which have been laid down in The cost of producthis Third Part tion of food and agricultural produce has been analyzed in a preceding It depends on the productiveness of the least fertile land, or of the least productively employed portion

society have as yet put in requisition? for agricultural purposes The cost of production of food grown in these least advantageous circumstances, deter mines, as we have seen, the exchange value and money price of the whole In any given state, therefore, of the labourers' habits, their money wages depend on the productiveness of the least fertile land, or least productive agricultural capital, on the point which cultivation has reached in its downward progress-in its encroach ments on the barren lands, and its gradually increased strain upon the powers Now, the force of the more fertile which urges cultivation in this downward course, is the increase of people, while the counter-force which checks the descent, is the improvement of agricultural science and practice. enabling the same soil to yield to the same labour more ample returns costliness of the most costly part of the produce of cultivation, is an exact expression of the state, at any given moment, of the race which population and agricultural skill are always run ning against each other

§ 2 It is well said by Dr Chalmers, that many of the most important lessons in political economy are to be learnt at the extreme margin of cultivation, the last point which the culture ! of the soil has reached in its contest with the spontaneous agencies of nature The degree of productiveness of this extreme margin, is an index to the existing state of the distribution of the produce among the three classes, of labourers, capitalists, and land

When the demand of an increasing population for more food cannot be satisfied without extending cultivation to less fertile land, or incurring addi tional outlay, with a less proportional return, on land already in cultivation, it is a necessary condition of this in crease of agricultural produce, that the value and price of that produce must first rise. But as soon as the price has risen sufficiently to give to the addrtional outlay of capital the ordinary of capital, which the necessities of profit, the rise will not go on still fur-

ther for the purpose of enabling the new land, or the new expenditure on old land, to yield rent as well as profit. The land or capital last put in requisition, and occupying what Dr Chalmers calls the margin of cultivation, will vield, and continue to yield, no rent. But if this yields no rent, the rent afforded by all other land or agricultural capital will be exactly so much as it produces more than this price of food will always on the average be such, that the worst land, and the least productive instalment of the capital employed on the better lands, shall just replace the expenses with the ordinary profit. If the least favoured land and capital just do thus much, all other land and capital will yield an extra profit, equal to the proceeds of the extra produce due to their superior productiveness, and this extra profit becomes, by competition, the prize of the landlords Exchange, and money, therefore, make no difference in the law of rent it is the same as we originally found it Rent is the extra return made to agricultural capital when employed with peculiar advan tages, the exact equivalent of what those advantages enable the producers to economize in the cost of production the value and price of the produce being regulated by the cost of production to those producers who have no advantages, by the return to that portion of agricultuml capital, the circumstances of which are the least favourable

Rent being thus regulated by the same principles when pull in money, as they would be if apportioned in kind, it follows that throuts are so likewise. For the surplus, after replacing wages and paying rent, constitutes Profits

We found in the last chapter of the Second Book, that the advances of the capitalist, when analyzed to their ultimate elements, consist either in the purchase or maintenance of labour, or in the profits of former capitalists, and that therefore profits in the last resort, depend upon the Cost of Labour, falling as that rises, and rising as it falls. Let

us endeavour to trace more minutely

the operation of this law

There are two modes in which the Cost of Labour, which is correctly re presented (money being supposed in1/ variable) by the money wages of the The lalabourer, may be increased bourer may obtain greater comforts; wages in kind-real wages-may rise Or the progress of population may force down cultivation to inferior soils, and more costly processes, thus raising the cost of production, the value, and the price, of the chief articles of the la bourer's consumption On either of these suppositions, the rate of profit will fall.

If the labourer obtains more abun dant commodities, only by reason of their greater cheapness, if he obtain a greater quantity, but not on the whole a greater cost, real wages will be increased, but not money wages, and there will be nothing to affect the rate But if he obtains a greater of profit quantity of commodities of which the cost of production is not lowered, he obtains a greater cost, his money wages The expense of these in are higher creased money wages falls wholly on the capitalist There are no concervable means by which he can shake it off It may be said—it used formerly to be said—that he will get rid of it by raising his price But this opinion we have already, and more than once, fully refuted.*

The doctrine, indeed, that a rise of wages causes an equivalent rise of prices, is, as we formerly observed, self-contradictory for if it did so, it would not be a rise of wages, the labourer would get no more of any commodity than he had before, let his money wages rise ever so much, a rise of real wages would be an impossibility. This being equally contrary to reason and to fact, it is evident that a rise of money wages does not raise prices, that high wages are not a cause of high prices. A rise of general wages falls on profits. There is no possible alternative

Having disposed of the case in which the increase of money wages, and of

Supra, book iii, ch iv \$2 and ch, xxv.

the Cost of Labour, arises from the labourer's obtaining more ample wages an kind, let us now suppose it to arise from the increased cost of production of the things which he consumes, owing to an increase of population, unaccompanied by an equivalent increase of agricultural skill The augmented supply required by the population would not be obtained, unless the price of food rose sufficiently to remunerate the farmer for the increased cost of The farmer, however, in production this case sustains a twofold disadvan He has to carry on his cultiva tion under less favourable conditions of productiveness than before this, as it is a disadvantage belonging to him only as a farmer, and not shared by other employers, he will, on the general principles of value, be com-pensated by a rise of the price of his commodity indeed, until this rise has taken place, he will not bring to market the required increase of produce this very rise of price involves him in another necessity, for which he is not He must pay higher compensated money wages to his labourers necessity, being common to him with all other capitalists, forms no ground for a rise of price. The price will rise, until it has placed him in as good a situation in respect of profits, as other employers of labour it will rise so as to indemnify him for the increased I the tanner's profits during the time his labour which he must now employ in] order to produce a given quantity of it may be said, is a source from which food but the increased wages of that | labour are a burthen common to all, and for which no one can be indemnified It will be paid wholly from profits

Thus we see that increased wages, when common to all descriptions of productive labourers, and when really ref presenting a greater Cost of Labour, are always and necessarily at the expense of profits And by reversing the cases, we should find in like manner that dimi inished wages, when representing a really diminished Cost of Labour, are equivalent to a rise of profits the opposition of pecuniary interest thus indicated between the class of capitalists and that of labourers, is to a great extent only apparent.

wages are a very different thing from the Cost of Labour, and are generally highest at the times and places where. from the easy terms on which the land yields all the produce as yet required from it, the value and price of food being low, the cost of labour to the employer, notwithstanding its ample remuneration, is comparatively cheap, and the rate of profit consequently We thus obtain a full con firmation of our original theorem, that Profits depend on the Cost of Labour or, to express the meaning with still greater accuracy, the rate of profit and the cost of labour vary inversely as one another, and are joint effects of the same agencies or causes

But does not this proposition require to be slightly modified, by making al lowance for that portion (though com paratively small) of the expenses of the capitalist, which does not consist in wages paid by himself or reim bursed to previous capitalists, but in the profits of those previous capitalists? Suppose, for example, an invention in the manufacture of leather, the advan tage of which should consist in ren dering it unnecessary that the hides should remain for so great a length of time in the tan pit Shoemakers, saddlers, and other workers in leather, would save a part of that portion of the cost of their material which consists of capital is locked up, and this saving they might derive an increase of profit. though wages and the Cost of Labour remained exactly the same. In the case here supposed, however, the con sumer alone would benefit, since the prices of shoes, harness, and all other articles into which leather enters. would fall, until the profits of the producers were reduced to the general To obviate this objection, let us suppose that a similar saving of expenses takes place in all departments of production at once case, since values and prices would not be affected, profits would probably be russed, but if we look more closely into the case we shall find that it is because Real | the cost of labour would be lowered

In this as in any other case of increase in the general productiveness of labour. if the labourer obtained only the same real wages, profits would be raised out the same real wages would imply a smaller Cost of Labour the cost of production of all things naving been. by the supposition, diminished. If. on the other hand, the real wages of labour rose proportionally, and the Cost of Labour to the employer remained the same, the advances of the capitalist would bear the same ratio to his returns as before, and the rate of profit The reader who would be unaltered may wish for a more minute examina-

tion of this point, will find it in the volume of separate Essays to which reference has before been made * The question is too intricate in comparison with its importance, to be further entered into in a work like the present, and I will merely say, that it seems to result from the considerations adduced in the Essay, that there is nothing in the case in question to affect the integrity of the theory which affirms an exact correspondence, in an inverse direction, between the rate of profit and the Cost of Labour

* Essay IV on Profits and Interest

BOOK IV.

INFLUENCE OF THE PROGRESS OF SOCIETY ON PRODUCTION AND DISTRIBUTION.

CHAPTER L

GENERAL CHARACTERISTICS OF A PROGRESSIVE STATE OF WEALTH.

THE three preceding Parts include as detailed a view as our limits permit, of what, by a happy generalization of a mathematical phruse, has been called the Statics of the subject. have surveyed the field of economical facts, and have examined how they stand related to one another as causes and effects, what circumstances detername the amount of production, of employment for labour, of capital and population, what laws regulate rent, profits, and wages, under what conditions and in what proportions commodities are interchanged between individuals and between countries We have thus obtained a collective view of the economical phenomena of society, considered as existing simultaneously. We have ascertained, to a certain extent, the principles of their interdependence, and when the state of some of the elements is known, we should now be able to infer, in a general way, the contemporaneous state of most of the others All this, however, has only put us in possession of the economical laws of a stationary and unchanging society We have still to consider the economical condition of mankind as liable to change, and indeed (in the more advanced portions of the race, and in all Legions to which their influence reaches) as at all times undergoing progressive We have to consider what these changes are, what are their laws, and what their ultimate tendencies, thereby adding a theory of motion to our

theory of equilibrium—the Dynamics of political economy to the Statics.

In this inquiry, it is natural to commence by tracing the operation of known and acknowledged agencies. Whatever may be the other changes which the economy of society is destined to undergo, there is one actually in progress, concerning which there can, be no dispute. In the leading countries of the world, and in all others as they come within the influence of those leading countries, there is at least one progressive movement which continues with little interruption from year to year and from generation to generation, a progress in wealth, an ad vancement in what is called material prosperity All the nations which we are accustomed to call civilized, in crease gradually in production and in population and there is no reason to doubt, that not only these nations will for some time continue so to increase, but that most of the other nations of the world, including some not yet founded, will successively enter upon the same career It will, therefore, be our first object to examine the nature and consequences of this progressive change, the elements which constitute it, and the effects it produces on the various economical facts of which we have been tracing the laws, and especially on wages, profits, rents, values, and prices.

^{§ 2} Of the features which charac-

tense the progressive even nicel in vement of civilized nations, that which first excites attention, through its intima e connexion with the phenomena of Production, is the perpetual, and so far as human first, lit can extend, the un-Himsted, growth of man's power over Anature. Our knowledge of the proper tics and lane of physical objects at owe no aign of approaching its ultimate boundaries it is advancing more to pidly, and in a greater number of directions at once, than in any previous are or generation, and affording such frequent glumpies of unexplore I fields te yond, as to ju tily the belief that our nequantance with nature is still alm met This increasing phy in its infancy eight knowledge is now, too, more the pidly than at any former period, converted by practical incommity, into physical power. The most marvelloss of modern inventions one which realizes the imaginary feats of the magician, not metaphor cally but literally—the electro-magnetic telegraph - sprang into existence but a few years after the establishment of the scientific theory which it realises and exempli-Lastly, the manual part of these great scientific operations is now never wanting to the intellectual there is no difficulty in finding or forming, in a sufficient number of the verking hands of the community, the skill requisite for executing the most delicate processor of the application of science to prac-From this union of conditical uses tions, it is impossible not to look for ward to a vast multiplication and long succession of contrivances for economizing labour and increasing its produce, and to an over wider diffusion of the use and benefit of those contrivances

Another change which has always botherto characterized, and will as suredly continue to characterize, the progress of civilized society, is a continual increase of the security of person and property. The people of every country in Europe, the most backward as well as the most advanced, are, in each generation, better protected against the violence and rapacity of one another both by a more efficient

jedic ture and potter for the suppers r in of trivate crime, and by the dear and destruction of these mis liberals practinges which enabled certain classes of the community to be death multiplied n, sin the rest. Hey are also, in every, g neintion, better piete ind, either byl I stitutions or by Liai nore and of the tree quit to recover want fra tallaga of premium I went in ser failrere I mean acts of special on derect of at en convento fa establishment en una then entres permically of nox enter no ns supposed to be soon to frequent as much to affect any person's feel mes of recurity Taxation, in all I december solution grant thanked awary endepois provide, I thin the bond to the metiner of le very it. Wars, and the des re tion they cauce, are now usually co fi ed, in almost every country, to those dis art and outlying I seems ins at which it comes like ciriast with assages - Even the vicusitules of for turn which arise four inertially na tural columnics, are more and nere roftened to those on whom they fall by the continual extension of the solutary practice of insurance

Of this increased recurity, one of the most unfailing effects is a greati increase both of production and of aid cumulation. Industry and travality cannot exist, where there is not a preponderant probability that these who labour and spare will be permitted to enjoy. And the nearer this probability approaches to certainty, the more do industry and frugality become 120 vading qualities in a people. Experience has shown that a large proportion of the results of labour and abstraction may be taken away by fixed taxation, without impairing, and conceinies even with the effect of stimulating, the qualities from which a great production and an abundant capital take their But those qualities are not LJ 20 proof against a high degree of uncer tainty The government may carry off a part, but there must be assurance that it will not interfere, nor suffer any one to interfere, with the remainder

against the violence and rapacity of One of the changes which most in one another both by a more efficient fallibly attend the progress of modern

society, is an improvement in the business capacities of the general mass of mankind. I do not mean that the practical sagacity of an individual human being is greater than formerly I am inclined to believe that economical progress has hitherto had even a contrary effect A person of good natural endowments, in a rude state of society, can do a greater number of things tolerably well, has a greater power of adapting means to ends, is more capable of extricating himself and others from an unforeseen embarrassment, than ninety-nine in a hundred of those who have known only what is called the civilized form of life How far these points of inferiority of faculties are compensated, and by what means they might be compousated still more completely, to the civilized man as an individual being, is a question belonging to a different inquiry from the present. But to civilized human beings collectively considered, the com-What is lost in pensation is ample the separate efficiency of each, is far more than made up by the greater capacity of united action In proportion as they put off the qualities of the savage, they become amenable to discipline, capable of adhering to plans concerted beforehand, and about which they may not have been consulted, of subordinating their individual caprice to a preconceived determination, and performing severally the parts allotted to them in a combined undertaking Works of all sorts, impracticable to the savage or the half-civilized, are daily accomplished by civilized nations, not by any greatness of faculties in the actual agents, but through the fact that each is able to rely with certainty on the others for the portion of the work which they respectively undertake The peculiar characteristic, in short, of civilized beings, is the capacity of cooperation, and this, like other facul ties, tends to improve by practice, and becomes capable of assuming a con stantly wider sphere of action

Accordingly there is no more certain incident of the progressive change taking place in society, than the continual growth of the principle, and

practice_of_co-operation Associations of individuals voluntarily combining their small contributions, non perform works, both of an industrial and of many other characters, which no one person or small number of persons are rich enough to accomplish, or for the performance of which the few persons capable of accomplishing them were formerly enabled to exact the most inordinate remuneration. As wealth increases and business capacity improves, we may look forward to a great extension of establishments, both for industrial and other purposes, formed by the collective contributions of large numbers, establishments like those called by the technical name of jointstock companies, or the associations less formally constituted, which are so numerous in England, to raise funds for public or philanthropic objects, or lastly, those associations of workpeople. either for production or to buy goods for their common consumption, which are now specially known by the name of co-operative societies

The progress which is to be expected in the physical sciences and arts, com bined with the greater security of property, and greater freedom in disposing of it, which are obvious features in the civilization of modern nations, and with the more extensive and more skilful employment of the joint-stock principle, afford space and scope for an indefinite increase of capital and production, and for the increase of populat tion which is its ordinary accompani-That the growth of population will overpass the increase of produc tion, there is not much reason to ap prehend, and that it should even keep pace with it, is inconsistent with the supposition of any real improvement in the poorest classes of the people. It is, however, quite possible that there might be a great progress in industrial, improvement, and in the signs of what 18 commonly called national prosperity, a great increase of aggregate wealth, and even, in some respects, a better distribution of it, that not only the rich might grow richer, but many of the poor might grow rich, that the intermediate classes niight become

more numerous and powerful, and the means of enjoyable existence be more and more largely diffused, while yet the great class at the base of the whole might increase in numbers only, and not in comfort nor in cultivation. We must, therefore, in considering the effects of the progress of industry admit as a supposition, however greatly we deprecate as a fact, an increase of themselves.

population as long-continued, as indelinite, and possibly even as rapid, as the increase of production and accumulation

With these preliminary observations on the causes of change at work in a secrety which is in a state of economical progress. I proceed to a more detailed examination of the changes themselves.

CHAPTER IL

HPLUENCE ON THE PROGRESS OF INDUSTRY AND POPULATION ON VALUES AND PRICES

§ 1 The changes which the progress of industry causes or presupposes in the circumstances of production, are necessarily attended with changes in the values of commodities

The permanent values of all things which are neither under a natural nor under an artificial monopoly, depend, as we have seen, on their cost of pro duction But the increasing power which mankind are constantly acquiring over nature, increases more and more the efficiency of human exertion, or in other words, diminishes cost of production All inventions by which a greater quantity of any com modity can be produced with the same labour, or the same quantity with less labour, or which abridge the process, so that the capital employed needs not be advanced for so long a time, lessen the cost of production of the com modity As, however, value is relative, if inventions and improvements in production were made in all commodities, and all in the same degree, there would be no alteration in values. Things would continue to exchange for each other at the same rates as before, and mankind would obtain a greater quan tity of all things in return for their labour and abstinence, without having that greater abundance measured and declared (as it is when it affects only one thing) by the diminished exchange value of the commodity.

As for prices, in these circumstances (they would be affected or not, accord? ing as the improvements in production) did or did not extend to the precious metals If the materials of money were an exception to the general diminution of cost of production, the values of all other things would fall in relation to money, that is, there would be a fall, of general prices throughout the world? But if money, like other things, and in the same degree as other things, were obtained in greater abundance and cheapness, prices would be no more! affected than values would, and there would be no visible sign, in the state of the markets, of any of the changes which had taken place, except that there would be (if people continued to labour as much as before) a greater quantity of all sorts of commodities, circulated at the same prices by a greater quantity of money

Improvements in production are not the only circumstance accompanying the progress of industry, which tends to diminish the cost of producing, or at least of obtaining, commedities. Another circumstance is the increase of intercourse between different parts of the world. As commerce extends, and the ignorant aftempts to restrain it by tarihs become obsolete, commodities tend more and more to be produced in the places in which their production can be carried on at the least expense

of labour and capital to mankind fervilization spreads, and security of person and property becomes esta-plished, in parts of the world which have not butherto had that advantage, the productive capabilities of those places are called into fuller activity. for the benefit both of their own inhabitants and of foreigners The ignorance and misgovernment in which many of the regions most favoured by nature are still grovelling, afford work, probably, for many generations before those countries will be raised even to the present level of the most civilized parts of Europe Much will also depend on the increasing migration of labour and capital to unoccupied parts of the earth, of which the soil, climate, and situation are found, by the ample means of exploration now possessed, to promise not only a large return to industry, but great facilities of producing commodities suited to the markets of old countries Much as the collective industry of the earth is likely to be increased in efficiency by the extension of science and of the industrial arts, a still more active source of increased cheapness of production will-be found, probably, for some time to come, in the gradually unfolding consequences of Free Trade, and in the increasing scale on which Emigration and Colonization will be carried on

From the causes now enumerated, anless counteracted by others, the progress of things enables a country to obtain at less and less of real cost, not only its own productions but those of foreign countries. Indeed, whatever diminishes the cost of its own productions, when of an exportable character, anables it, as we have already seen, to obtain its imports at less real cost.

by § 2 But is it the fact, that these tendencies are not counteracted? Has the progress of wealth and industry no effect in regard to cost of production, but to diminish it? Are no causes of an opposite character brought into operation by the same progress, sufficient in some cases not only to neuralize but to overcome the former, and convert the descending movement of

cost of production into an ascending movement? We are already aware that there are such causes, and that, in the case of the most important classes of commodities, food and materials, there is a tendency diametrically opposite to that of which we have been speaking. The cost of production of these commodities tends to increase

This is not a property inherent in the commodities themselves If population were stationary, and the produce of the earth never needed to be augmented in quantity, there would be no cause for greater cost of production. Mankind would, on the contrary, have the full benefit of all improvements in agriculture, or in the arts subsidiary to it, and there would be no difference, in this respect, between the products of agriculture and those of manufactures The only products of industry which, if population did not increuse, would be hable to a real increase of cost of production, are those which, depending on a material which is not renewed, are either wholly or partially exhaustible. such as coal, and most if not all metals. for even iron, the most abundant as well as most useful of metallic products, which forms an ingredient of most minerals and of almost all rocks, is susceptible of exhaustion so far as regards its richest and most tractable ores

When, however, population increases, as it has never yet failed to do when the increase of industry and. of the means of subsistence made room for it, the demand for most of the productions of the earth, and particularly for food, increases in a corresponding And then comes into proportion effect that fundamental law of production from the soil, on which we have so frequently had occasion to expitiate, the law, that increased labour, in any given state of agricultural skill, is attended with a less than proportional increase of produce The cost of production of the fruits of the earth in creases, cateris paribus, with every? increase of the demand

icient in some cases not only to neu milize but to overcome the former, and convert the descending movement of The tendency is in the contrary directions.

The larger the scale on which tion manufacturing operations are carried on, the more cheaply they can in general be performed Mr Senior has gone the length of enunciating as an inherent law of manufacturing in llustry, that in it increased production takes place at a smaller cost, while in agricultural industry increased production takes place at a greater cost. cannot think, however, that even in manufactures, increased cheapness fol lows increased production by anything amounting to a law It is a probable and usual, but not a necessary, con

As manufactures, however, depend for their materials either upon agriculture, or mining, or the spontaneous produce of the earth, manufacturing industry is subject, in respect of one of its essentials, to the same law as agriculture But the crude material generally forms so small a portion of the total cost, that any tendency which may exist to a progressive increase in that single item, is much over balanced by the diminution continually taking place in all the other elements, to which diminution it is impossible at present to assign any limit,

The tendency, then, being to a perpetual increase of the productive power of labour in manufactures, while in agriculture and mining there is a conflict between two tendencies, the one towards an increase of productive power, the other towards a diminution of it, the cost of production being lessened by every improvement in the processes, and augmented by every addition to population, it follows that the exchange values of manufactured articles, compared with the products of agriculture and of mines, have, as population and industry advance, a certain and decided tendency to fall Money being a product of mines, it may also be laid down as a rule, that manufactured articles tend, as society advances, to fall in money price industrial history of modern nations, especially during the last hundred years, fully bears out this assertion

increases in absolute as well as comparative cost of production, depends on the conflict of the two antagonist agencies, increase of population, and improvement in agricultural skill some, perhaps in most, states of society, (looking at the whole surface of the earth,) both agricultural skill and population are either stationary, or increase very slowly, and the cost of production of food, therefore, is nearly, stationary In a society which is advancing in wealth, population generally increases faster than agricultural skill, and food consequently tends to become more costly, but there are times when a strong impulse sets in towards agricultural improvement Such an impulse has shown itself in Great Britain during the last twenty or five-and twenty years In England and Scotland agricultural skill has of late increased considerably faster than population, insomuch that food and other agricultural produce, notwith standing the increase of people, can be grown at less cost than they were thirty years ago and the abolition of the Corn Laws has given an additional stimulus to the spirit of improvement. In some other countries, and particularly in France, the improvement of agriculture gains ground still more decidedly upon population, because though agriculture, except in a few provinces, advances slowly, population advances still more slowly, and even with increasing slowness, its growth being kept down, not by poverty, which is diminishing, but by prudence Which of the two

conflicting agencies is gaining upon the other at any particular time, might be conjectured with tolerable accuracy from the money price of agricultural produce (supposing bullion not to vary materially in value), provided a sufficient number of years could be taken, to form an average independent of the fluctuations of seasons This, however, is hardly practicable, since Mr Tooke has shown that even so long a period as half a century may include a much greater proportion of abundant and a smaller of deficient seasons, than is Whether agricultural produce | properly due to it. A mere average,

therefore, might lead to conclusions only the more misleading, for their deceptive semblance of accuracy. There would be less danger of error in taking the average of only a small number of years, and correcting it by a conjectural allowance for the character of the seasons, than in trusting to a longer average without any such correction. It is hardly necessary to add, that in founding conclusions on quoted prices, allowance must also be made as far as possible for any changes in the general exchange value of the precious metals.*

§ 4 Thus far, of the effect of the progress of society on the permanent for average values and prices of commodities. It remains to be considered, in what manner the same progress affects their fluctuations. Concerning the answer to this question there can be no doubt. It tends in a very high degree to diminish them

In poor and backward societies, as in the East, and in Europe during the middle ages, extraordinary differences in the price of the same commodity might exist in places not aistant from each other, because the want of roads and canals, the imperfection of marine navigation, and the insecurity of communications generally, prevented things from being transported from the places where they were cheap to those where they were dear The things most hable to fluctuations in value, those directly influenced by the seasons, and especially food, were seldom carried to any great distances Each locality depended, as a general rule, on its own produce and that of its immediate neighbourhood. In most years, accordingly, there was, in some part or other of any large country, a real dearth Almost every season must be unpropitious to some among the many soils and climates to be found in an extensive tract of country, but as the same season is also in general more

* A still better criterion, perhaps, than that suggested in the text, would be the increase or diminution of the amount of the labourer's wages estimated in agricultural moduce. than ordinarily favourable to others, it is only occasionally that the aggregate produce of the whole country is deficient, and even then in a less degree than that of many separate portions, while a deficiency at all considerable, extending to the whole world, is a thing almost unknown. In modern't times, therefore, there is only dearth, is where there formerly would have been famine, and sufficiency everywhere is when anciently there would have been scarcity in some places and superfluity in othere

The same change has taken place with respect to all other articles of commerce The safety and cheapness of communications, which enable ? deficiency in one place to be supplied from the surplus of another, at a moderate or even a small advance on the ordinary price, render the fluctuations of prices much less extreme than for-This effect is much promoted by the existence of large capitals, bot longing to what are called speculative nierchants, whose business it is to buy goods in order to resell them at a profit : These dealers naturally buying things when they are cheapest, and storing them up to be brought again into the market when the price has become unusually high, the tendency of their operations is to equalize price, or at least to moderate its inequalities. The prices of things are neither so much depressed at one time, nor so much raised at another, as they would be if speculative dealers did not exist.

Speculators, therefore, have a highly useful office in the economy of society, and (contrary to common opinion) the most useful portion of the class are those who speculate in commodities affected by the vicissitudes of seasons. If there were no corn-dealers, not only would the price of corn be hable to variations much more extreme than at present, but in a deficient season the necessary supplies might not be forth coming at all Unless there were speculators in corn, or unless, in default of dealers, the farmers became speculators, the price in a season of abundance would fall without any limit or check, except the wasteful consumption that would invariably follow. That any part of the surplus of one year remains to supply the deficiency of another, is owing either to farmers who withhold corn from the market, or to dealers who buy it when at the cheapest and lay it up in store.

§ 5 Among persons who have not much considered the subject, there is a notion that the gains of speculators are often made by causing an artificial "scarcity, that they create a high price by their own purchases, and then profit by it This may easily be shown to be fallacious If a corn-dealer makes purchases on speculation, and produces a rise, when there is neither at the time nor afterwards any cause for a rise of price except his own proceedings, he no doubt appears to grow richer as long as his purchases continue, because he is a holder of an article which is quoted at a higher and higher price but this apparent gain only seems within his reach so long as he does not attempt to realize it. If he has bought, for instance, a million of quarters, and by withholding them from the market, has raised the price ten shillings a quarter, just so much as the price has been raised by withdrawing a million quarters, will it be lowered by bringing them back, and the best that he can hope is that he will lose nothing except interest and his expenses If by a gradual and cautious sale he is able to realize, on some portion of his stores, a part of the increased price, so also he will undoubtedly have had to pay a part of that price on some portion of his pur chases He runs considerable risk of incurring a still greater loss, for the temporary high price is very likely to have tempted others, who had no share in causing it, and who might other wise not have found their way to his market at all, to bring their corn there, and intercept a part of the advantage So that instead of profiting by a scarcity caused by himself, he is by no means unlikely, after buying in an average market, to be forced to sell in a superahundant one As an individual speculator cannot l

gain by a rise of price solely of his own creating, so neither can a number! of speculators gain collectively by a rise, which their operations have ar tificially produced Some among a number of speculators may gain, by superior judgment or good fortune in selecting the time for realizing, but they make this gain at the expense, not of the consumer, but of the other speculators who are less judicious They, in fact, convert to their own! benefit the high price produced by the speculations of the others, leaving to, these the loss resulting from the recoils It is not to be denied, therefore, that speculators may enrich themselves by other people's loss But it is by the losses of other speculators As much; must have been lost by one set of dealers as is gained by another set When a speculation in a commodity;

proves profitable to the speculators as a body, it is because in the interval? between their buying and reselling) the price rises from some cause independent of them, their only connexions with it consisting in having foreseen In this case, their purchases make the price begin to rise sooner than it otherwise would do, thus spreading the privation of the consumers over a longer period, but mitigating it at the time of its greatest height evidently to the general advantage In this, however, it is assumed that they have not overrated the rise which they looked forward to For it often happens that speculative purchases are made in the expectation of some increase of demand, or deficiency of supply, which after all does not occur, or not to the extent which the specu, lator expected In that case the specu lation, instead of moderating fluctua tions, has caused a fluctuation of price which otherwise would not have happened, or aggravated one which would But in that case the speculation is a losing one, to the speculators collectively, however much some individuals! may gain by it All that part of the rise of price by which it exceeds what there are independent grounds for, cannot give to the speculators as a

body any benefit, since the price is as

much depressed by their sales as it was raised by their purchases, and while they gain nothing by it, they lose, not only their trouble and expenses, but almost always much more, through the effects incident to the artificial rise of price, in checking consumption, and bringing forward supplies from unforeseen quarters The operations, therefore, of speculative dealers, are useful to the public whenever profitable to themselves, and though they are sometimes injurious to the public, by heightening the fluctuations which their more usual office is to alleviate. yet whenever this happens the speculators are the greatest losers terest, in short, of the speculators as a body, coincides with the interest of the public, and as they can only fail to serve the public interest in proportion as they miss their own, the best way to promote the one is to leave them to pursue the other in perfect freedom.

I do not deny that speculators may aggravate a local scarcity lecting corn from the villages to supply the towns, they make the dearth penetrate into nooks and corners which might otherwise have escaped from bearing their share of it. and resell in the same place, tends to alleviate scuroity to buy in one place and resell in another, may morease it in the former of the two places, but relieves it in the latter, where the price is higher, and which therefore, by the very supposition, is likely to be suffering more And these sufferings always fall hardest on the poorest consumers, since the rich by outbidding, can obtain their accustomed supply undiminished if they choose To no persons, therefore, are the operations of corn-dealers on the whole so Accidentally beneficial as to the poor and exceptionally, the poor may suffer from them it might sometimes be more advantageous to the rural poor to have corn cheap in winter, when they are entirely dependent on it, even if the consequence were a dearth in spring, when they can perhaps obtain partial substitutes But there are no substitutes, procurable at that season, which serve in any great degree to i

replace bread corn as the chief article of food if there were, its price would fall in the spring, instead of continuing, as it always does, to rise till the approach of harvest

There is an opposition of immediate; interest, at the moment of sale, bell tween the dealer in corn and the con sumer, as there always is between the seller and the buyer and a time of dearth being that in which the speculator makes his largest profits, he is an object of dislike and jealousy at that time, to those who are suffering while he is gaining. It is an error, however, to suppose that the corn dealer's business affords him any extraordinary profit, he makes his gains not constantly, but at particular times. and they must therefore occasionally be great, but the chances of profit in a business in which there is so much competition, cannot on the whole be greater than in other employments A year of scarcity, in which great gains are made by corn-dealers, rarely comes to an end without a recoil which places many of them in the list of bankrupts There have been few; more promising seasons for corn dealers than the year 1847, and seldom was there a greater break up among the speculators than in the autumn of that year The chances of failure, in this most precarious trade, are a set-off against great occasional If the corn-dealer were to profits sell his stores, during a dearth, at a lower price than that which the competition of the consumers assigns to him, he would make a sacrifice, to charity or philanthropy, of the fair profits of his employment, which may be quite as reasonably required from any other person of equal means His business being a useful one, it is the interest of the public that the ordinary motives should exist for carrying it on, and that neither law nor opinion should prevent an operation beneficial to the public from being attended with as much private advantage as is compatible with full and free competition

It appears, then, that the fluctuations of values and prices arising from

variations of supply, or from alterations in real (as distinguished from speculative) demand, may be expected to become more moderate as society With regard to those advances which arise from miscalculation, and especially from the alternations of undue expansion and excessive con traction of credit, which occupy so conspicuous a place among commercial phenomena, the same thing cannot be aftirmed with equal confidence vicisatudes, beginning with irrational speculation and ending with a commercial crisis, have not hitherto be

come either less frequent or less violent with the growth of capital and extension of industry. Rather, they may be said to have become more so in consequence, as is often said, of increased competition, but, as I prefer to say, of a low rate of profits and interest, which makes capitalists dissatisfied with the ordinary course of safe mercantile gains. The connexion of this low rate of profit with the advance of population and accuring mulation, is one of the points to be illustrated in the ensuing chapters.

CHAPTER III.

INFLUENCE OF THE PROGRESS OF INDUSTRY AND POPULATION ON PENTS,
PROPITS, AND WAGES,

Continuing the inquiry into the nature of the economical changes taking place in a society which is in a state of industrial progress, we shall next consider what is the effect of that progress on the distribution of the produce among the various classes who We may confine our atshare in it. tention to the system of distribution which is the most complex, and which virtually includes all others-that in which the produce of manufactures is shared between two classes, labourers and capitalists, and the produce of agriculture among three, labourers, capitalists, and landlords

The characteristic features of what is commonly meant by industrial progress, resolve themselves mainly into three—increase of capital, increase of population, and improvements in production, understanding the last expression in its widest sense, to include the process of procuring commodities from a distance, as well as that of producing them. The other changes which take place are chiefly consequences of these, as, for example, the tendency to a progressive increase of the cost of production of food, arising

from an increased demand, which may be occasioned either by increased population, or by an increase of capital and wages, enabling the poorer classes to increase their consumption. It will be convenient to set out by considering each of the three causes, as operating separately, after which we can suppose them combined in any manner we think fit.

Let us first suppose that population (increases, capital and the arts of production remaining stationary One of the effects of this change of circum stances is sufficiently obvious 89gaw will fall, the labouring class will be, reduced to an inferior condition The state of the capitalist, on the contrary, will be improved With the same capital, he can purchase more labour, and obtain more produce His rate of profit is increased The dependence of the rate of profits on the cost of labour is here verified, for the labourer obtaining a diminished quantity of commodities, and no alteration being supposed in the circumstances of their production, the diminished quantity represents a diminished cost. labourer obtains not only a smaller

toal reward, but the product of a The first smaller quantity of labour circumstance is the important one to himself, the last to his employer

Nothing has occurred, thus far, to affect in any way the value of any commodity, and no reason, therefore, has yet shown itself, why rent should be either raised or lowered we look forward another stage in the series of effects, we may see our way to such a consequence The labourers have increased in numbers condition is reduced in the same proportion, the increased numbers divide among them only the produce of the same amount of labour as before they may economize in their other comforts, and not in their food each may consume as much food, and of as costly a quality, as previously, or they may submit to a reduction, but not in proportion to the increase of On this supposition, notnumbers withstanding the diminution of real wages, the increased population will require an increased quantity of food But since industrial skill and knowledge are supposed to be stationary, more food can only be obtained by resorting to worse land, or to methods of cultivation which are less productive in proportion to the outlay Capital for this extension of agriculture will not be wanting, for though, by hypothesis, no addition takes place to the capital in existence, a sufficient amount can be spared from the industry which previously supplied the other and less pressing wants which the labourers have been obliged to The additional supply of food, therefore, will be produced, but produced at a greater cost, and the exchange value of agricultural produce must rise. It may be objected, that profits having risen, the extra cost of producing food can be defrayed from profits, without any increase of price It could, undoubtedry, but it will not because if it did, the agriculturist would be placed in an inferior position The increase of to other capitalists profits, being the effect of diminished vages, is common to all employers of lilour The moreased expenses arising 120 quarters are now required, of

from the necessity of a more costly cultivation, affect the agriculturist he must be peculiarly compensated. whether the general rate of profit be high or low He will not submit in definitely to a deduction from his profits, to which other capitalists are not subject. He will not extend his cultivation by laying out fresh capital, unless for a return sufficient to yield him as high a profit as could be obtained by the same capital in other The value, therefore, ot investments his commodity will rise, and rise in proportion to the increased cost farmer will thus be indemnified for the burthen which is peculiar to him seif, and will also enjoy the augmented rate of profit which is common to all capitalists

It follows, from principles with which we are already familiar, that in these circumstances rent will rise Any land can afford to pay, and under free competition will pay, a rent equal to the excess of its produce above the return to an equal capital on the worst land, or under the least favourable conditions Whenever, therefore, agriculture is driven to descend to worse land, or more onerous processes, rent rises. Its rise will be twofold, for, in the first place, rent in kind, oil corn rent, will rise, and in the second! since the value of agricultural produce has also risen, rent, estimated in manufactured or foreign commodities (which is represented cateris paribus) by money rent) will rise still more

The steps of the process (if, after what has been formerly said, it is necessary to retrace them) are as follows Corn rises in price, to repay with the ordinary profit the capital required for producing additional corn on worse land or by more costly pro-So far as regards this additional corn, the increased price is but an equivalent for the additional expense, but the rise, extending to all corn, affords on all, except the last produced, an extra profit farmer was accustomed to produce 100 quarters of wheat at 40s, and

which the last twenty cannot be produced under 45s, he obtains the extra shillings on the entire 120 quarters, and not on the last twenty He has thus an extra 25L beyond the ordinary profits, and this, in a state of free competition, he will He cannot hownot be able to retain ever be compelled to give it up to the consumer, since a less price than 45s would be inconsistent with the production of the last twenty quarters price, then, will remain at 45s, and the 25L will be transferred by competition not to the consumer but to the landlord A rise of rent is therefore mevitably consequent on an increased demand for agricultural produce, when unaccompanied by in creased facilities for its production A truth which, after this final illustration, we may henceforth take for granted.

The new element now introducedan increased demand for food—besides occasioning an increase of rent, still further disturbs the distribution of the produce between capitalists and la-The increase of population will have diminished the reward of labour and if its cost is diminished as greatly as its real remuneration profits will be increased by the full emount. If, however, the increase of population leads to an increased production of food, which cannot be supplied but at an enhanced cost of production, the cost of labour will not be so much diminished as the real reward of it, and profits, therefore, will not be so much raised. It is even possible that they might not be raised at all. The labourers may previously have been so well provided for, that the whole of what they now lose may be struck off from their other indulgences, and they may not, either by necessity or choice, undergo any reduction in the quantity or quality of their food To produce the food for the increased number may be attended with such an increase of expense, that wages, i though reduced in quantity, may represent as great a cost, may be the product of as much labour, as before. and the capitalist may not be at all

benefited On this supposition the loss to the labourer is partly absorbed in the additional labour required for producing the last instalment of agricultural produce, and the remainder is gained by the landlord, the only sharer who always benefits by an in crease of population

§ 2 Let us now reverse our hypol. thesis, and, instead of supposing capital stationary and population ad vancing, let us suppose capital ad vancing and population stationary the facilities of production, both natu ral and acquired, being, as before, un-The real wages of laboury instead of falling, will now rise, and since the cost of production of the things consumed by the labourer is not diminished, this rise of wages implies an equivalent increase of the cost of labour, and diminution of profits. To state the same deduction in other terms, the labourers not being more numerous, and the productive power of their labour being only the same as before, there is no increase of the produce, the increase of wages, therefore, must be at the charge of the capital-It is not impossible that the cost of labour might be increased in even a greater ratio than its real re-The improved condition! muneration of the labourers may increase the demand for food The labourers may have been so ill off before, as not to have food enough, and may now consume more or they may choose to expend their increased means partly or wholly in a more costly quality of food, requiring more labour and more land, wheat, for example, instead of oats or potatoes This extension of agriculture implies, as usual, a greater cost of production and a higher price so that besides the increase of the cost of labour arising from the increase of its reward, there will be a further in crease (and an additional fall of profits) from the increased costliness of the commodities of which that reward The same causes will produce a rise of reut What the capital ists lose, above what the labourers gain, is partly transferred to the land

ted, and posts and well up in the prester number of labourers to obtain sees of provincy for the monoland or a green amount of agricultural propers assess productive process.

\$ 2. Her on at 100 st of the two einele prome And Center problems and of some artical at I an it mean I reacted to a correspondition To the lark well take into a neater estre to irr I care, in which the lime of ments of extension and e mi line. I shippened to an loop tal m grant of traffer of the contact the manufacture of the contact for account to and a de or other of the the forested no shall a the english the forest gry in the test of spality being shot in all later over of trips the serie competition or before, and the rame Musting of these come ofther is so filte what will be the off of. on not and trafite, of this divide Ferriman 4

Vojutation having increased, with rut air fatting off in the labourer's Hermit on them is of e mera deninnd for more for I. The a twof production being support stationars, this food mit be present at an increased first. To examin ato fir this prenter post of the affit and food, the proce his enculruml prolument nee. The tise extending over the whole amount of news produced, though the income d expenses only of old to a part, there is a greatly is creaved extra profit, which, be competition, is transferred to the land of Rent will me, both in grantity of produce and in cost, while wager, being supposed to be the hanne in quantity, will be greater in The labourer obtaining the same amount of necessaries, money react have riven and as the rise is con mon to all branches of production, the capitall t enanot indemnify him telf by changing his employment, and the loss must be borne by profits

It appears, then, that the tendency of an increase of capital and population is to add to rent at the expense of profits though rent does not gain all that profits lose, a part being absorbed in increased expenses of production, that is, in hiring or feeding a

prenter number of labourers to obtain a fiven emount of agricultural produce. By profits, must of course be unlimited the rate of profit, for a lister rate of profit on a larger capital may vield a larger gross profit, considered absolutely, though a smaller in proportion to the entire produce.

This tendency of profits to fill, is from time to time counteracted by improvements in production, whether arising from moreused use of knowledge, or from an increased use of the knowledge air ide possessed. This is the third of the three elements, the effects of which an the distribution of the presture we undertook to investigate, and the investigation will be facilitated by supposing as in the case of the other two elements, that it operates, in the first instance, alone

\$4 Let us then suppose capitals and population stationars, and a sudden improvement made in the arts of production, by the invention of more efficient machines, or less costly processes, or by obtaining access to chapter commodities through foreign trade

The improvement may either be in some of the necessaries or indulgences which enter into the liabitual consump tion of the labouring class, or it may be! applicable only to luxures consumed i exclusively by richer people few, however, of the great industrial improvements are altogether of this Inst description Agricultural iniprovements, except such as specially relate to some of the rarer and more peculiar products, act directly upon the principal objects of the labourer's expenditure The steam-engine, and every other invention which affords a manageable power, are applicable to all things, and of course to those con , Even the sumed by the labourer power loom and the spinning jenny, though applied to the most delicate fabrics, are available no less for the coarse cottons and woollens worn by the labouring class. All improvements in locomotion cheapen the transport of necessaries as well as of luxuries, Soldom is a new branch of trade opened.

without, either directly or in some in direct way, causing some of the articles which the mass of the people consume to be either produced or imported at smaller cost. It may safely be affirmed, therefore, that improvements in production generally tend to cheapen the commodities on which the wages of the labouring class are expended

In so far as the commodities affected by an improvement are those which the labourers generally do not consume. the improvement has no effect in altering the distribution of the produce Those particular commodities, indeed, are cheapened, being produced at less cost, they fall in value and in price, and all who consume them, whether landlords, capitalists, or skilled and privileged labourers, obtain increased means of enjoyment The rate of profits, however, is not raised is a larger gross profit, reckoned in quantity of commodities. But the capital also, if estimated in those commodities, has risen in value profit is the same percentage on the capital that it was before. The capitalists are not benefited as capitalists, but as consumers The landlords and the privileged classes of labourers, if they are consumers of the same commodities, share the same benefit.

The case is different with improve ments which diminish the cost of production of the necessaries of life, or of commodities which enter habitually into the consumption of the great mass of labourers The play of the different forces being here rather complex, it is necessary to analyze it with some pinuteness

As formerly observed, * there are two kinds of agricultural improvements Some consist in a mere saving of labour, and enable a given quantity of food to be produced at less cost, but not on a smaller surface of land than Others enable a given extent of land to yield not only the same produce with less labour, but a greater produce, so that if no greater produce is required, a part of the land already under culture may be dispensed with As the part rejected will be the least

viously the worst under cultivation To place the effect of the improvement in a clear light, we must suppose

it to take place suddenly, so as to leave no time during its introduction, for any increase of capital or of population Its first effect will be a fall of the value and price of agricultural produce !! This is a necessary consequence of either kind of improvement, but especially of the last

productive portion, the market will

thenceforth be regulated by a better

description of land than what was pre-

An improvement of the first kind, not increasing the produce, does not dispense with any portion of the land; the margin of cultivation (as Dr Chalmers terms it) remains where it agriculture does not recede, either in extent of cultivated land, or in elaborateness of methods price continues to be regulated by the same land, and by the same capital, as But since that land or capital, and all other land or capital which produces food, now yields its produce at smaller cost, the price of food will! fall proportionally If one-tenth of the expense of production has been saved, the price of produce will fall one tenth

But suppose the improvement to be of the second kind, enabling the land to produce, not only the same corn with one-tenth less labour, but a tenth more corn with the same labour Herethe effect is still more decided vation can now be contracted, and the market supplied from a smaller quan tity of land Even if this smaller surface of land were of the same average quality as the larger surface, the price would fall one-tenth, because the same produce would be obtained with a tenth less labour But since the portion of land abandoned will be the least fertile portion, the price of produce will thenceforth be regulated by a better quality of land than before In addition, therefore, to the original diminution of one-tenth in the cost of production, there will be a further diminution, corresponding with the recession of the "margin" of agriculture to land of greater fertility There will thus be a twofold fall of price

* Supra, p 112

Let us now examine the effect of the improvements, thus suddenly made, on the division of the produce, and in the first place, on rent. By the former of the two kinds of improvement, but would be diminished. By the second, it would be diminished still more.

Suppose that the demand for food requires the cultivation of three qualities of land, yielding, on an equal sur face, and at an equil expense, 100, 80, and 60 bushelt of wheat. The price of wheat will, on the average, be just sufficient to enable the third quality to be cultivated with the ordinary profit The first quality therefore will yield forty and the second twenty bushels of extra profit, constituting the rent of And first, let an im the landlord provement be made, which, without enabling more corn to be grown, enables the same corn to be grown with one fourth less labour The price of wheat will fall one fourth, and 80 bushels will be sold for the price for which 60 were sold before But the produce of the land which produces 60 bushels is still required, and the expenses being as much reduced as the price, that land can still be cultivated with the ordinary profit. The first and second qualities will therefore continue to yield a surplus of 40 and 20 bushels, and corn rent will remain the same as But corn having fallen in price before one fourth, the same corn rent is equivalent to a fourth less of money and of Vall other commodities So far, therefore, as the landlord expends his income in manufactured or foreign products, he is one fourth worse off than His income as landlord is re duced to three-quarters of its amount It is only as a consumer of corn that he is as well off

If the improvement is of the other kind, rent will fall in a still greater ratio. Suppose that the amount of produce which the market requires, can be grown not only with a fourth less labour, but on a fourth less land. If all the land already in cultivation continued to be cultivated, it would yield a produce much larger than necessary Land, equivalent to a fourth of the produce, must now be aban-

doned, and as the third quality yielded exactly one fourth, (being 60 out of 240,) that quality will go out of culti-The 210 bushels can now be vation grown on land of the first and second qualities only, being, on the first, 100 bushels plus one third, or 1334 bushels, on the second, 80 bushels plus one third, or 106% bushels, together, 240 The second quality of land, instead of the third, is now the lowest, and regu lates the price Instead of 60, it is sufficient if 1063 bushels repay the capital with the ordinary profit price of wheat will consequently fall. not in the ratio of 60 to 80, as in the other case, but in the ratio of 60 to Even this gives an insufficient idea of the degree in which rent will be The whole produce of the nflected second quality of land will now be required to repay the expenses of product tion That land, being the worst in cultivation, will pay no rent And the first quality will only yield the difference between 1331 bushels and 1063, being 26% bushels instead of 40 landlords collectively will have lost 334 ont of 60 bushels in corn rent alone, while the value and price of what is left will have been diminished in the ratio of 60 to 1068

It thus appears, that the interest of the landlord is decidedly hostile to the sudden and general introduction of agricultural improvements This as sertion has been called a paradox, and made a ground for accusing its first promulgator, Ricardo, of great intellec tual perverseness, to say nothing worse I cannot discern in what the paradox consists, and the obliquity of vision seems to me to be on the side of his assailants The opinion is only made to appear absurd by stating it unfairly If the assertion were that a landlord! is injured by the improvement of his' estate, it would certainly be indefen! sible, but what is asserted is, that he is injured by the improvement of the estates of other people, although hit own is included. Nobody doubts that he would gun greatly by the improvement if he could keep it to himself, and unite the two benefits, of an increased produce from his land, and a price as

high as before But if the increase of produce took place simultaneously on all lands, the price would not be as high as before, and there is nothing unreasonable in supposing that the land lords would be, not benefited, but in jured. It is admitted that whatever permanently reduces the price of produce diminishes rent and it is quite in accordance with common notions to suppose that if, by the increased productiveness of land, less land were required for cultivation, its value, like that of other articles for which the demand had diminished, would fall.

I am quite willing to admit that rents have not really been lowered by the progress of agricultural improvement, but why? Because improvement has never in reality been sudden, but always slow, at no time much outstripping, and often falling far short of, the growth of capital and population, which tends as much to raise rent, as the other to lower it, and which is enabled, as we shall presently see, to raise it much higher by means of the additional margin afforded by improvements in agriculture First, however, we must examine in what manner the i sudden cheapening of agricultural produce would affect profits and wages

In the beginning, money wages (would probably remain the same as before, and the labourers would have the full benefit of the cheapness They would be enabled to increase their concumption either of food or of other articles, and would receive the same cost, and a greater quantity far, profits would be unaffected. the permanent remuneration of the labourers essentially depends on what we have called their habitual standard, the extent of the requirements which, as a class, they insist on satisfying before they choose to have children If their tastes and requirements receive a durable impress from the sudden improvement in their condition, the benefit to the class will b permanent But the same cause which enables them to purchase greater comforts and indulgences with the same wages, would enable them to purchase the same amount of comforts and in-

dulgences with lower wages, and a greater population may now exist, without reducing the labourers below the condition to which they are accus-Hitherto, this and no other tomed has been the use which the labourers have commonly made of any increase of their means of hving, they have treated it simply as convertible into food for a greater number of children, It is probable, therefore, that populal tion would be stimulated, and that after the lapse of a generation the real wages of labour would be no higher; than before the improvement the reduction being partly brought about by a fall of money wages, and partly through the price of food, the cost of which, from the demand occasioned by the increase of population, would be increased To the extent to which money wages fell, profits would rise, the capitalist obtaining a greater quantity of equally efficient labour by the same outlay of capital We thus, see that a diminution of the cost of living, whether arising from agricultu-j ral improvements or from the importation of foreign produce, if the habits and requirements of the labourers are not raised, usually lowers money wages? and rent, and raises the general rate of $\mathbf{n}\mathbf{r}\mathbf{o}$ fit

What is true of improvements which cheapen the production of food, is true also of the substitution of a cheaper for a more costly variety of it The same land yields to the same labour a much greater quantity of human nutriment in the form of maize or potatoes, than in the form of wheat. If the labourers; were to give up bread, and feed only on those cheaper products, taking as their compensation not a greater quantity of other consumable commodities, but earlier marriages and larger famihes, the cost of labour would be much diminished, and if labour continued equally efficient, profits would rise, while rent would be much lowered, since food for the whole population could be rused on half or a third part of the land now sown with corn. the same time it being evident that land too barren to be cultivated for wheat might be made in case of neces-

sity to yield potatoes sufficient to support the little labour necessary for producing them, cultivation might ultiimately descend lower, and rent even tually rise higher, on a potato or maize system, than on a corn system, because the land would be capable of feeding a much larger population before reaching the limit of its powers

If the improvement, which we suppose to take place, is not in the production of food, but of some manufactured article consumed by the labouring class, the effect on wages and profits will at first be the same, but the effect on rent very different It will not be lowered, it will even, if the ulfimate effect of the improvement is an increase of population, be raised which last case profits will be lowered The reasons are too evident to require statement.

We have considered, on the one hand, the manner in which the distribution of the produce into rent, profits, and wages, is affected by the cordinary increase of population and capital, and on the other, how it is affected by improvements in production, and more especially in agricul-We have found that the former cause lowers profits, and raises rent and the cost of labour while the ten dency of agricultural improvements is to diminish rent, and all unprovements which cheapen any article of the labourer's consumption, tend to diminish the cost of labour, and to raise profits The tendency of each cause in its separate state being thus ascertained, it is easy to determine the tendency of the actual course of things, an which the two movements are going on simultaneously, capital and popu lation increasing with tolerable steadiness, while improvements in agriculture are made from time to time, and the knowledge and practice of improved methods become diffused gradually through the community

The habits and requirements of the labouring classes being given (which determine their real wages,) rent, profits, and money wages at any given

of these rival forces If during any period agricultural improvement advances faster than population, rent and money wages during that period will tend downward, and profits upward If population advances more rapidly, than agricultural improvement, either the labourers will submit to a reduction in the quantity or quality of their food, or if not, rent and money wages will progressively rise, and profits will

Agricultural skill and knowledge are of slow growth, and still slower diffu Inventions and discoveries, too. occur only occasionally, while the in crease of population and capital are continuous agencies It therefore soldom happens that improvement, even during a short time, has so much the start of population and capital as actually to lower rent, or raise the rate of profits There are many countries in which the growth population and capital are not rapid, but in these agricultural improvement is less active still. Population almost every where treads close on the heels of agricultural improvement, and effaces its effects as fast as they are produced.

The reason why agr-cultural ima provement seldom lowers rent, is that it seldom cheapens food, but only pre vents it from growing dearer, and seldom, if ever, throws land out of cultivation, but only enables worse and worse land to be taken in for the supply of an increasing demand. is sometimes called the natural state of a country which is but half cul tivated, namely, that the land is highly productive, and food obtained in great abundance by little labour, is only true of unoccupied countries colonized by a civilized people In the United States the worst land in cul tivation is of a high quality (except sometimes in the immediate vicinity of markets or means of conveyance, where a bad quality is compensated by a good situation), and even if no further improvements were made in agriculture or locomotion, cultivation would have many steps yet to descend, before the increase of population and hime, are the result of the composition | capital would be brought to a stand,

dut in Europe five hundred years ago, though so thinly peopled in compa rison to the present population, it is probable that the worst land under the plough was, from the rude state of agriculture, quite as unproductive as the worst land now cultivated, and that cultivation had approached as near to the ultimate limit of profitable tillage, in those times as in the pre-What the agricultural improvements since made have really done is, by increasing the capacity of production of land in general, to enable tillage to extend downwards to a much worse natural quality of land than the worst which at that time would have admitted of cultivation by a capitalist for profit, thus rendering a much greater increase of capital and population possible, and removing always a little and a little further off, the barrier which restrains them, popu lation meanwhile always pressing so hard against the barrier, that there is never any visible margin left for it to seize, every inch of ground made vacant for it by improvement being at once filled up by its advancing columns Agricultural improvement may thus be considered to be not so much a counterforce conflicting with increase of population, as a partial relaxation of the bonds which confine that inсгеяве

The effects produced on the division of the produce by an increase of production, under the joint influence of increase of population and capital and improvements of agriculture, are very different from those deduced from the hypothetical cases previously discussed In particular, the effect on rent is most materially different. We re marked that-while a great agricultural improvement, made suddenly and universally, would in the first instance inevitably lower rent—such improvements enable rent, in the progress of society, to rise gradually to a much bigher limit than it could otherwise attain, since they enable a much lower quality of land to be ultimately cultivated. But in the case we are now supposing, which nearly responds to the usual course of things,

this ultimate effect becomes the imme diate effect Suppose cultivation to have reached, or almost reached, the utmost limit permitted by the state of the industrial arts, and rent, therefore, to have attained nearly the high est point to which it can be carried by the progress of population and capital, with the existing amount of skill and knowledge If a great agricultural improvement were suddenly intro duced, it might throw back rent for a considerable space, leaving it to regain its lost ground by the progress of population and capital, and after wards to go on further But, taking place, as such improvement always does, very gradually, it causes no retrograde movement of either rent or cultivation, it merely enables the one to go on rising, and the other extend ing, long after they must otherwise have stopped. It would do this even without the necessity of resorting to a worse quality of land, simply by enabling the lands already in cultiva tion to yield a greater produce, with no increase of the proportional cost If by improvements of agriculture all the lands in cultivation could be made, even with double labour and capital, to yield a double produce, (supposing that in the meantime population in creased so as to require this double quantity) all rents would be doubled

To illustrate the point, let us revert to the numerical example in a former Three qualities of land yield respectively 100, 80, and 60 bushels to the same outlay on the same extent of surface If No 1 could be made to yield 200, No 2, 160, and No 3, 120 bushels, at only double the expense and therefore without any increase of the cost of production, and if the population, having doubled, required all this increased quantity, the rent of No 1 would be 80 bushels instead of 40, and of No 2, 40 instead of 20, while the price and value per bushel would be the same as before that corn rent and money rent would both be doubled. I need not point out the difference between this result, and what we have shown would take place if there were an improvement

in production without the accompaniment of an increased demand for food

Agricultural improvement, then, is always ultimately, and in the manner in which it generally takes place also immediately, beneficial to the landlord We may add, that when it takes place in that manner, it is beneficial to no one else When the demand for produce fully keeps pace with the increased capacity of production, food is not cheapened, the labourers are not. even temporarily, benefited, the cost of labour is not diminished, nor profits raised. There is a greater aggregate production, a greater produce divided among the labourers, and a larger gross profit, but the wages being shared among a larger population, and the profit spread over a larger capital, no labourer is better off, nor does any capitalist derive from the same amount of capital a larger income

The result of this long investigation may be summed up as follows economical progress of a society con stituted of landlords, capitalists, and labourers, tends to the progressive enrichment of the landlord class, while the cost of the labourer's subsistence tends on the whole to increase, and profits to fall Agricultural improvements are a counteracting force to the two last effects, but the first, though; a case is conceivable in which it would be temporarily checked, is ultimately, in a high degree promoted by those, improvements, and the increase of population tends to transfer all the benefits derived from agricultural improvement to the landlords alone What other consequences, in addition to these, or in modification of them, arise from the industrial progress of a society thus constituted, I shall endeavour to show in the succeeding, chapter

CHAPTER IV.

OF THE TENDENCY OF PROFITS TO A MINIMUM.

§ 1 The tendency of profits to fall as society advances, which has been brought to notice in the preceding chapter, was early recognised writers on industry and commerce, but the laws which govern profits not being then understood, the phenomenon was ascribed to a wrong cause Adam Smith considered profits to be determined by what he called the competition of capital, and concluded that when capital increased, this competition must likewise increase, and profits must fall It is not quite ceram what sort of competition Adam Smith had here in view His words in the chapter on Profits of Stock+ are. "When the stocks of many rich merchants are turned into the same trade, their mutual competition natu rally tends to lower its profits, and * Wealth of Nations, book 1 ch. 9

when there is a like increase of stock i in all the different trades carried on in the same society, the same competition must produce the same effect in them ! all" This passage would lead us to infer that, in Adam Smith's opinion, the manner in which the competition of capital lowers profits is by lowering? prices; that being usually the mode in which an increased investment of capital in any particular trade, lowers the profits of that trade But if this / was his meaning, he overlooked the circumstance, that the fall of price, which if confined to one commodity, really does lower the profits of the producer, ceases to have that effect as soon as it extends to all commodities, because, when all things have fallen, nothing has really fallen, except nominally, and even computed in money, the expenses of every producer have

diminished as much as his returns Unless indeed labour be the one com modity which has not fallen in money price, when all other things have if so, what has really taken place is a rise of wages, and it is that, and not! the fall of prices, which has lowered the profits of capital There is another thing which escaped the notice of Adam Smith, that the supposed universal full of prices, through increased competition of capitals, is a thing which cannot take place Prices are not determined by the competition of the sellers only, but also by that of the buyers, by demand as well as The demand which affects money prices consists of all the money in the hands of the community desfined to be laid out in commodities. and as long as the proportion of this to the commodities is not diminished, there is no fall of general prices Now, howsoever capital may increase, and give rise to an increased production of commodities, a full share of the capital will be drawn to the business of producing or importing money, and the quantity of money will be augmented in an equal ratio with the quantity of commodities For if this were not the case, and if money, therefore, were, as the theory supposes, perpetually acquiring increased purchasing power, those who produced or imported it would obtain constantly increasing profits, and this could not happen without attracting labour and capital to that occupation from other employments If a general fall of prices, and increased value of money, were really to occur, it could only be as a consequence of increased cost of production, from the gradual exhaustion of the mines

It is not tenable, therefore, in theory. that the increase of capital produces, or tends to produce, a general decline of money prices Neither is it true. that any general decline of prices, as capital increased, has manifested itself in fact The only things observed to fall in price with the progress of society, are those in which there have been improvements in production,

production of the precious metals, as for example, all apun and woven Other things again, instead fabrics of falling, have risen in price, because their cost of production, com pared with that of gold and silver, has Among these are all kinds increased of food, comparison being made with a much earlier period of history doctrine, therefore, that competition of capital lowers profits by lowering prices, is incorrect in fact, as well as unsound in principle

But it is not certain that Adam Smith really held that doctrine, for his language on the subject is wavering and unsteady, denoting the absence of a definite and well-digested opinion ! Occasionally he seems to think that the mode in which the competition of capital lowers profits, is by raising And when speaking of the rate of profit in new colonies, he seems on the very verge of grasping the com plete theory of the subject colony increases, the profits of stock When the most gradually diminish fertile and best situated lands have been all occupied, less profit can be made by the cultivation of what is in ferior both in soil and situation "Had Adam Smith meditated longer on the subject, and systematized his view of it by harmonizing with each other the various glimpses which he caught of it from different points, he would have perceived that this last is the true cause of the fall of profits usually consequent upon increase of capital

§ 2 Mr Nakefield, in his Commentary on Adam Smith, and his important writings on Colonization, takes, a much clearer view of the subject! and arrives, through a substantially correct series of deductions, at practical conclusions which appear to me just and important, but he is not equally happy in incorporating valuable speculations with the results; of previous thought, and reconciling them with other truths Some of the theories of Dr Chalmers, in his chapter "On the Increase and Limits of Capigrea er than have taken place in the | tal," and the two chapters which follow

fft, coincide in their tendency and ! spirit with those of Mr Wakefield, but Dr Chalmers' ideas, though de livered as is his custom, with a most attrictive semblance of clearness, are really on this subject much more confus d than even those of Adam Smith, and more decidedly infected with the often refuted notion that the competition of capi'al lowers general prices, the subject of Money apparently not having been included among the parts of Political Economy which this nente and rigorous writer had carefully

studied

Mr Wakefield's explanation of the fall of profits is briefly this Production is limited not solely by the quantity of capital and of labour, but also by the extent of the "field of employment" The field of employment for capital is twofold, the land of the country, and the capacity of foreign markets to take its manufactured commodities dimited extent of land, only a limited quantity of capital can find employment. at a profit As the quantity of capital approaches this limit, profit falls, when the limit is attained, profit is annihilated, and can only be restored through an extension of the field of employment, either by the acquisition of fertile land, or by opening new markets in foreign countries, from which food and materials can be purchased with the products of domestic capital. propositions are in my opinion substantially true, and, even to the phrascology in which they are expressed, considered as adapted to popular and practical rather than scientific uses, I have nothing to object. The error which scems to me imputable to Mr Wakefield is that of supposing his doctrines to be in contradiction to the principles of the best school of preceding political economists, instead of being, as they really are, corollaries from those prin ciples, though corollaries which, perhaps, would not always have been admitted by those political economists themselves

The most scientific treatment of the subject which I have met with, is in an essay on the effects of Machinery, published in the Westminster Review for !

January 1826, by Mr William Ellis * which was doubtless unknown to Mr Wakefield, but which had preceded him, though by a different path, in several of his leading conclusions. This essay excited little notice, partly from being published anonymously in a pe modical, and partly because it was much in advance of the state of political In Mr Ellis's economy at the time view of the subject, the questions and difficulties raised by Mr Wakefield's speculations and by those of Dr Chalmers, find a solution consistent with the principles of political economy laid down in the present treatise.

§ 7 There is at every time and place? some particular rate of profit, which is! the lowest that will induce the people' of that country and time to accumulate savings, and to employ those savings This minimum rate of productively profit varies according to circum stances It depends on two elements One is, the strength of the effective desire of accumulation, the comparative estimate made by the people of that place and era, of future interests ' when weighed against present element chiefly affects the inchiration to save The other element, which affects, not so much the willingness to save as the disposition to employ savings productively, is the degree of security of capital engaged in industrial operations A state of general insecurity, no doubt affects also the disposition to A hoard may be a source of add ditional danger to its reputed possessof But as it may also be a powerful means of averting dangers, the effects in this respect may perhaps be looked upon as balanced But in employing any funds which a person may possess as capital on his own account, or in lending it to others to be so employed, there is always some additional risk, over and above that incurred by keeping it idle in his own custody This extra risk is ! great in proportion as the general state

Now so much better known through his apostolic exertions, by pen, purse, and person for the improvement of popular education and especially for the introduction into it of the elements of practical Political

of society is insecure it may be equi valent to twenty, thirty, or fifty per cent, or to no more than one or two, something, however, it must always and for this, the expectation of profit must be sufficient to compensate There would be adequate motives for a certain amount of saving, even lif capital yielded no profit would be an inducement to lay by in good times a provision for bad to reserve something for sickness and infirmity, or as a means of leisure and independence in the latter part of life, or a help to children in the outset Savings, however, which have of it. only these ends in view, have not much tendency to increase the amount of capital permanently in existence motives only prompt persons to save at one period of life what they purpose to consume at another, or what will be consumed by their children before they can completely provide for themselves The savings by which an addition is made to the national capital, usually emanate from the desire of persons to improve what is termed their condition in life, or to make a provision for chil dren or others, independent of their exertions Now, to the strength of these inclinations it makes a very material difference how much of the desired obfect can be effected by a given amount and duration of self-denial, which again depends on the rate of profit. And there is in every country some rate of profit, below which persons in general will not find sufficient motive to save for the mere purpose of growing richer, or of leaving others better off than themselves Anv accumulation, therefore, by which the general capital is increased, requires as its necessary condition a certain rate of profit a rate which an average person will deem to be an equivalent for abstinence, with the addition of a suffi cient insurance against risk are always some persons in whom the effective desire of accumulation is above the average, and to whom less than this rate of profit is a sufficient inducement to save, but these merely step into the place of others whose taste for expense and indulgence is beyond the average, and who instead of saving, perhaps

even dissipate what they have re-

cerved. I have already observed that this NU minimum rate of profit, less than which is not consistent with the further in crease of capital, is lower in some states of society than in others, and I may add, that the kind of social progress characteristic of our present civiliza tion, tends to diminish it. In the first and place, one of the acknowledged effects of that progress is an increase of general security Destruction by wars, and spoliation by private or public violence, are less and less to be apprehended, and the improvements which may be looked for in education and in the ad ministration of justice, or, in their default, increased regard for opinion, afford a growing protection against fraud and reckless mismanagement The risks attending the investment of savings in productive employment, require therefore a smaller rate of profit; to compensate for them than was required a century ago, and will here after require less than at present. the <u>rec</u>ond place, it is also one of the consequences of civilization that man kind become less the slaves of the moment, and more habituated to carry their desires and purposes forward into This increase of proa distant future vidence is a natural result of the in creased assurance with which futurity can be looked forward to, and 18, besides, favoured by most of the influ ences which an industrial life exercises over the passions and inclinations of human nature In proportion as life has fewer vicissitudes, as habits become more fixed, and great prizes are less and less to be hoped for by any other means than long perseverance, man kind become more willing to sacrifice present indulgence for future objects. This increased capacity of forethought and self-control may assuredly find other things to exercise itself upon than increase of riches, and some con siderations connected with this topio will shortly be touched upon present kind of social progress, how ever, decidedly tends, though not per haps to increase the desire of accumulation, yet to weaken the obstacles to

g H, and to diminish the amount of profit [Inducement to save and accumulate For these two reasons, diminution of nsk and increase of providence, a profit or interest of three or four per cent is as sufficient a motive to the increase of capital in England at the present day, as thirty or forty per cent in the Burmese Empire, or in England at the time of King John . In Holland during the last century a return of two per cent, on government security, was con sistent with an undiminished, if not with an increasing capital But though the minimum rate of profit is thus liable to vary, and though to specify exactly what it is would at any given time be impossible, such a minimum always exists, and whother it be high or low, when once it is reached, no further increase of capital can for the present take place The country has then attained what is known to political economists under the name of the stationary state

168.4 We now arrive at the funda mental proposition which this chapter is intended to inculcate When a country has long possessed a large production, and a large net income to make savings from, and when, therefore, the means have long existed of making a great annual addition to capital, (the country not having, like America, a large reserve of fertile land still unlised,) it is one of the characteristics of such a country, that the rate of profit is habitually within, as it were, hand's breadth of the minimum, and the country therefore on the very verge By this I do of the stationary state not mean that this state is likely, in any of the great countries of Europe, to be soon actually reached, or that capital does not still yield a profit considerably greater than what is barely sufficient to induce the people of those countries to save and accumulate My meaning is, that it would require but a short time to reduce profits to the minimum, if capital continued to increase at its present rate, and no circumstances having a tendency to raise the rate of profit occurred in the mean

time The expansion of capital would soon reach its ultimate boundary, if the boundary itself did not continually open and leave more space

In England, the ordinary rate of interest on government securities, in which the gak is next to nothing, may be estimated at a little more than three per cent in all other investments! therefore, the interest or profit calculated upon (exclusively of what is properly a remuneration for talent or exertion) must be as much more than this amount, as is equivalent to the degree of risk to which the capital is thought to be exposed Let us suppose that in England even so small a net profit as one per cent, exclusive of in surance against risk, would constitute a sufficient inducement to save, but that less than this would not be a sufficient inducement I now say, that the mere continuance of the present annual increase of capital, if no circumstance occurred to counteract its effect, would suffice in a small number of years to reduce the rate of net profit to one per

To fulfil the conditions of the hypothesis, we must suppose an entire cessation of the exportation of capital for! No more capital! foreign investment sent abroad for railways, or loans, no more emigrants taking capital with them, to the colonies, or to other coun tries, no fresh advances made, or credits given, by bankers or merchants to their foreign correspondents must also assume that there are no fresh loans for unproductive expenditure by the government, or on mortgage, or otherwise, and none of the waste of capital which now takes place by the failure of undertakings, which people are tempted to engage in by the hope of a better income than can be obtained in safe paths at the present habitually low rate of profit. We must, suppose the entire savings of the com. munity to be annually invested in: really productive employment within the country itself, and no new channels opened by industrial inventions, or by? a more extensive substitution of the best known processes for inferior ones

Few persons would hesitate to say;

that there would be great difficulty in finding reminerative employment every rear for so much new capital, and most would conclude that there would be what used to be termed a general glut. that commodities would be produced, and remain unsold, or be sold only at a loss But the full examination which we have already given to this question,* has shown that this is not the mode in which the inconvenience would be ex The difficulty would not consist in any want of a market the new capital were duly shared among many varieties of employment, it would raise up a demand for its own produce, and there would be no cause why any part of that produce should remain longer on hand than formerly What would really be, not merely diffi i sult, but impossible would be to emi ploy this capital without submitting to

a rupid reduction of the rate of profit As capital increased, population either would also increase, or it would If it did not, wages would rise, and a greater capital would be distributed in wages among the same numlber of labourers There being no more labour than before, and no improvements to render the labour more effi cient, there would not be any increase of the produce, and as the capital, however largely increased, would only obtain the same gross return, the whole I savings of each year would be exactly ; so much subtracted from the profits of the next and of every following year It is hardly necessary to say that in such circumstances profits would very soon fall to the point at which further increase of capital would cease augmentation of capital, much more rapid than that of population, must soon reach its extreme limit, unless accompanied by increased efficiency of labour (through inventions and discoveries, or improved mental and physical education), or unless some of the idle people, or of the unproductive labourers. became productive

If population did increase with the increase of capital, and in proportion to it, the fall of profits would still be increased population implies

Book iii ch, 14,

mereased demand for agridultural pro-In the absence of industrial im provements, this demand can only be supplied at an increased dost of produc tion, either by cultivating worse land, or by a more elaborate and mostly cul treation of the land already under til-The cost of the labourer's subsistence is therefore increased, unless the labourer submits to a deteri oration of his condition, profits must fall. In an old country like England, if, in addition to supposing all improvement in-domestic agriculture suspended, we suppose that there is no increased production in foreign countries for the English market, the fall of profits would be very rapid. If both these avenues to an increased supply of food were closed, and population continued to increase, as it is said to do,/at the rate of a thousand a day, all waste land which admits of cultivation in the existing state of knowledge would soon be cultivated, and the cost of production and price of food would be so increased, that if the labourers received the increased money wages necessary to compensate for their increased expenses, profits would very soon reach the mini-The fall of profits would be remum. tarded if money wages did not rise, or rose in a less degree, but the margin which can be gained by a deterioration of the labourers' condition is a very nar row one in general they cannot bear much reduction, when they can, they have also a higher standard of necessary requirements; and will not. the whole, therefore, we may assume that in such a country as Lngland, it the present annual amount of savings were to continue, without any of the counteracting circumstances which now keep in check the natural influence of those savings in reducing profit, the rate of profit would speedily attain the minipup, and all further accumulation decapital would for the present cease (

§ 5 What, then, are these countered acting circumstances, which, in the existing state of things, maintain a tolerably equal struggle against the downward tendency of profits, and pro-

vert the great annual savings which ! take place in this country, from depressing the rate of profit much nearer tothat lowest point to which it is always tending, and which, left to itself, it would so promptly attain? The resisting agencies are of several kinds them, we may notice one which is so simple and so conspicuons, that some political economists, especially M do Sismondi and Dr Chalmers, have attended to it almost to the exclusion of all others. This is, the waste of capital in periods of overtrading and rash speculation, and in the commercial revulsions by which such times are always followed true that a great part of what is lost at such periods is not destroyed, but merely transferred, like a gambler's losses, to more successful speculators But even of these mere transfers, a flarge portion is always to foreigners, by the hasty purchase of unusual quantities of foreign goods at advanced And much also is absolutely wasted Mines are opened, railways or bridges made, and many other works of uncertain profit commenced, and in these enterprises much capital is sunk which yields either no return, or none Factories are adequate to the outlay built and machinery erected beyond what the market requires, or can keep in employment. Fren if they are kept in employment, the capital is no less sunk, it has been converted from circulating into fixed capital, and has ceased to have any influence on wages or profits Besides this, there is a great unproductive consumption of capital, during the stagnation which follows a period of general over trading Establishments are shut up, or kept working without any profit, hands are discharged, and numbers of persons in all ranks, being deprived of their in-come, and thrown for support on their pavings, find themselves, after the crisis has presed away, in a condition of more or less impoverishment Such are the effects of a commercial revulmon and that such revulsions are almost periodical, is a consequence of the very tendency of profits which we are considering. By the time a few years

have passed over without a crisis, so much additional capital has been accumulated, that it is no longer possible to invest it at the accustomed profit all public securities rise to a high price, the rate of interest on the best mercantile security falls very low, and the complaint is general among persons in business that no money is to be made. Does not this demonstrate how speedily profit would be at the minimum, and the stationary condition of capital would be attained, if these accumula tions went on without any counteracting principle? But the diminished scale of all safe gains, inclines persons to give a ready ear to any projects which hold out, though at the risk of the hope of a higher rate of profit, and speculations ensue, which, with the subsequent revulsions, destroy, or transfer to foreigners, a considerable amount of capital, produce a temporary rise of interest and profit, make room for fresh accumulations. and the same round is recommenced

This, doubtless, is one considerable cause which arrests profits in their descent to the minimum, by sweeping away from time to time a part of the accumulated mass by which they are But this is not, as might forced down be inferred from the language of some writers, the principal cause were the capital of the country would not increase, but in England it does increase greatly and rapidly. This is shown by the increasing productiveness of almost all taxes, by the continual growth of all the signs of national wealth, and by the rapid increase of population, while the condition of the labourers is certainly not declining, but on the whole improving These things prove that each commercial revulsion, however disastrous, is very far from destroying all the capital which has been added to the accumulations of the country since the last revulsion pre ceding it, and that, invariably, room is either found or made for the profitable employment of a perpetually increasing capital, consistently with not forcing down profits to a lower rate

§ 6 This brings us to the second of

the counter agencies, namely improvements in production These evidently have the effect of extending what Mr Wakefield terms the field of employment, that is, they enable a greater amount of capital to be accumulated and employed without depressing the rate of profit provided always that they do not raise, to a proportional extent, the habits and requirements of the la-If the labouring class gain the full advantage of the increased cheapness, in other words, if money wages do not fall, profits are not raised, But if the nor their fall retarded. labourers people up to the improvement in their condition, and so relapse to their previous state, profits will rise All inventions which cheapen any of the things consumed by the labourers, unless their requirements are raised in an equivalent degree, in time lower money wages and by doing so, enable a greater capital to be accumulated and employed, before profits fall back to what they were previously Improvements which only affect ithings consumed exclusively by the incher classes, do not operate precisely ^tm the same manner of lace or velvet has no effect in duni

The cheapening nishing the cost of labour, and no mode can be pointed out in which it can raise the rate of profit, so as to make room for a larger capital before the minimum is attained It, however, produces an effect which is virtually equivalent, it lowers, or tends to lower, the minimum itself. In the first place, increased cheapness of articles of consumption promotes the inclination to save, by affording to all consumers a surplus which they may lay by, consistently with their accustomed manner of living and unless they were previously suffering actual hard ships, it will require little self-denial to save some part at least of this sur-In the next place, whatever enables people to live equally well on a smaller income, inclines them to lay by capital for a lower rate of profit If people can live on an independence of 500l. a year in the same manner as they formerly could on one of 1000l., some persons will be induced to save !

in hopes of the one, who would have been deterred by the more temote prospect of the other All improve-K ments, therefore, in the production of almost any commodity, tend in some degree to widen the interval which had to be passed before arriving at the stationary state but this effect belongs in a much greater degree to the im provements which affect the articles consumed by the labourer, since these conduce to it in two ways, they induce people to accumulate for a lower profit and they also raise the rate of profit itself

175 1 § 7 Equivalent in effect to improve ments in production, is the acquisition of any new power of obtaining cheap commodities from foreign countries necessaries are cheapened, whether they are so by improvements at home or importation from abroad, is exactly. the same thing to wages and profits t Unless the labourer obtains, and by an timprovement of his habitual standard; keeps, the whole benefit the cost of labour 18 lowered, and the rate of profit 5 As long as food can continue to be imported for an increasing popu be lation without any diminution of cheapness, so long the declension of profits through the increase of population and capital is arrested, and accumulation may go on without making the rate of profit draw nearer to the minimum And on this ground it is believed by some, that the repeal of the corn laws has opened to this country a long era of rapid increase of capital with an undiminished rate of profit.

Before inquiring whether this expectation is reasonable, one remark must be made, which is much at variance with commonly received notions reign trade does not necessarily increase the field of employment for capital. It is not the mere opening of a market for a country's productions, that tends to raise the rate of profits If nothing were obtained in exchange for those productions but the luxuries of the rich, the expenses of no capitalist would be diminished, profits would not be at all raised, nor room made for the accumu lation of more capital without sub-

mitting to a reduction of profits and if the attainment of the stationary state were at all retarded, it would only be because the diminished cost at which a certain degree of luxury could be emoyed, might induce people, in that prospect, to make fresh savings for a lower profit than they formerly were willing to do When foreign trade makes room for more capital at the same profit, it is by enabling the necessaries of life, or the habitual articles of the labourer's consumption, to ten obtained at smaller cost It may do this in two ways, by the importation either of those commodities themscives, or of the means and appliances Vor producing them Cheap iron has, in a certain measure, the same effect on profits and the cost of labour as chenp corn, because chenp iron makes chenp tools for agriculture and cheap machinery for clothing But a foreign trade which neither directly, nor by any indirect consequence, increases the cheapness of anything consumed by the labourers, does not, any more than an invention or discovery in the like case, tend to raise profits or retard their fall, it merely substitutes the production of goods for foreign markets, in the room of the home production of luxuries, leaving the employment for expital neither greater nor less than before It is true, that there is scarcely any export trade which, in a country that already imports necessaries or materrals, comes within these conditions for every increase of exports enables the country to obtain all its imports on cheaper terms than before A country which, as is now the case

with England, admits food of all kinds, and all necessaries and the materials of necessaries, to be freely imported from all parts of the world, no longer depends on the fertility of her own soil to keep up her rate of profits, but on the soil of the whole world It remains to consider how far this resource can be counted upon for making head during a very long period against the tendency of profits to decline as capital

increases

It must, of course, be supposed that

tion also increases, for if it did not. the consequent rise of wages would bring down profits, in spite of any cheapness of food. Suppose then that the population of Great Britain goes on increasing at its present rate, and demands every year a supply of imported food considerably beyond that of the "I lus annual increase year preceding in the food demanded from the exporting countries, can only be obtained either by great improvements in their agriculture, or by the application of a great additional capital to the growth of food The former is likely to be a very slow process, from the rudeness and ignorance of the agricultural classes in the food-exporting countries of Europe, while the British colonies and the United States are already in possession of most of the improvements yet made, so far as suitable to their circumstances There remains as a resource, the extension of cultivation And on this it is to be remarked, that the capital by which any such extension can take place, is mostly still to be created. In Poland, Russia, Hungary, Spain, the increase of capital is extremely slow In America it is rapid, but not more rapid than the population. The principal fund at present available for supplying this country with a yearly increasing importation of food, is that portion of the annual savings America which has heretofore been applied to increasing the manufacturing establishments of the United States, and which free trade in corn may pos sibly divert from that purpose to grow ing food for our market This limited, source of supply, unless great improvements take place in agriculture, cannot: be expected to keep pace with the growing domand of so rapidly increasing a population as that of Great Britain, and if our population and capital continue to increase with their present rapidity, the only mode in which food can continue to be supplied cheaply to the one, is by sending the other abroad to produce it

\$8 This brings us to the last of the counter forces which check the down with the increase of capital, popula- ward tendency of profits in a country

whose capital increases faster than that of its neighbours, and whose profits are therefore nearer to the mi-This is, the perpetual overflow of capital into colonies or foreign countries, to seek higher profits than rean be obtained at home I believe this to have been for many years one of the principal causes by which the decline of profits in England has been It has a twofold operation arrested In the first place, it does what a fire, or an inundation, or a commercial crisis would have done it carries off a part of the increase of capital from which the reduction of profits proceeds condly, the capital so carried off is not lost, but is chiefly employed either in founding colonies, which become large exporters of cheap agricultural produce, or in extending and perhaps improving the agriculture of older commu-It is to the emigration of En nities glish capital, that we have chiefly to look for keeping up a supply of cheap food and cheap materials of clothing, proportional to the increase of our population thus enabling an increasing capital to find employment in the country, without reduction of profit, in producing manufactured articles with which to pay for this supply of raw Thus, the exportation of produce. capital is an agent of great efficacy in extending the field of employment for that which remains and it may be

said truly that, up to a certain point the more capital we send away, the more we shall possess and be able to retain at home

In countries which are further ad vanced in industry and population, and have therefore a lower rate of profit, than others, there is always, long / before the actual minimum is reached, a practical minimum, viz when profits have fallen so much below what they are elsewhere, that, were they to fall lower, all further accumulations would go abroad. In the present state of the industry of the world, when there is occasion, in any rich and improving country, to take the minimum of profile at all into consideration for practical purposes, it is only this practical ini nimum that needs be considered. long as there are old countries where capital increases very rapidly, and new countries where profit is still high, profits in the old countries will not sink to the rate which would put a stop to accumulation, the fall is stopped at the point which sends capital abroad is only, however, by improvements in production, and even in the production of things consumed by labourers, that the capital of a country like England is prevented from speedily reaching that degree of lowness of profit, which would cause all further sayings to be sent to find employment in the colonies, or in foreign countries

CHAPTER V.

CONSEQUENCES OF THE TENDENCY OF PROFITS TO A MINIMUM

§ 1 The theory of the effect of accumulation on profits, laid down in the preceding chapter, materially alters many of the practical conclusions which might otherwise be supposed to follow from the general principles of Political Economy, and which were, indeed, long admitted as true by the highest authorities on the subject

It must greatly abate, or rather, al together destroy, in countries where

profits are low, the immense importance which used to be attached by political economists to the effects which an event or a measure of government might have in adding to or subtracting from the capital of the country. We have now seen that the lowness of profits is a proof that the spirit of accumulation is so active, and that the increase of capital has proceeded at so rapid a inte, as to outstrip the two

counter agencies, improvements in production, and increased supply of cheap necessaries from abroad and that unless a considerable portion of the annual increase of capital were either periodically destroyed, or exported for foreign investment, the country would speedily attain the point at which further accumulation would cease, or at least spontaneously slacken, so as no longer to overpass the march of invention in the arts which produce the necessaries of In such a state of things as this, a sudden addition to the capital of the country, unaccompanied by any increase of productive power, would be but of transitory duration, since, by depressing profits and interest, it would either diminish by a corresponding amount the savings which would be made from income in the year or two following, or it would cause an equivalent amount to be sent abroad, or to be wasted in rash speculations Neither, on the other hand, would a sudden abstraction of capital, nuless of mordinate amount, have any real effect in impoverishing the country After a few months or years, there would exist in the country just as much capital as if none had The abstraction, by been taken away raising profits and interest, would give a fresh stimulus to the accumulative principle, which would speedily fill up Probably, indeed, the the vacuum only effect that would ensue, would be that for some time afterwards less capi tal would be exported, and less thrown away in hazardous speculation.

In the first place, then, this view of things greatly weakens, in a wealthy and industrious country, the force of the economical argument against the expenditure of public money for really valuable, even though industriously unproductive, purposes If for any great object of justice or philanthropic policy, such as the industrial regeneration of Ireland, or a comprehensive measure of colonization or of public education, it were proposed to raise a large sum by way of loan, politicians need not demur to the abstraction of so much rapital, as tending to dry up the permanent sources of the country's wealth, and diminish the fund which supplies

the subsistence of the labouring popu The utmost expense which could be requisite for any of these purposes, would not in all probability deprive one labourer of employment, or diminish the next year's production by one ell of cloth or one bushel of grain In poor countries, the capital of the country requires the legislator's sedulous care, he is bound to be most cautious of encroaching upon it, and should favour to the utmost its accu mulation at home, and its introduction from abroad. But in rich, populous, and highly cultivated countries, it is not capital which is the deficient element, but fertile land, and what the legislator should desire and promote, is not a greater aggregate saving, but a greater return to savings, either by im proved cultivation, or by access to the produce of more fertile lands in other parts of the globe In such countries. the government may take any moderate portion of the capital of the country and expend it as revoune, without affecting the national wealth—the whole being either drawn from that portion of the annual savings which would otherwise be sent abroad, or being subtracted from the unproductive expendi ture of individuals for the next year or two, since every million spent makes room for another million to be saved before reaching the overflowing point. When the object in view is worth the sacrifice of such an amount of the ex penditure that furnishes the daily en joyments of the people, the only well grounded economical objection against taking the necessary funds directly from capital, consists of the inconveniences attending the process of rais ing a revenue by taxation, to pay the interest of a debt

The same considerations enrole us to throw aside as unworthy of regard, one of the common arguments against emigration as a means of relief for the labouring class. Emigration, it is said, can do no good to the labourers, if, in order to defray the cost, as much must be taken away from the capital of the country as from its population. That anything like this proportion could require to be abstracted from capital for G G.

the purpose even of the most extensive ! colonization, few, I should think, would now assert but even on that untenable supposition, it is an error to suppose that no benefit would be conferred on If one tenth of the labouring class the labouring people of England were transferred to the colonies, and along with them one tenth of the circulating capital of the country, either wages, or profits, or both, would be greatly bene lited, by the diminished pressure of capital and population upon the ferti lity of the land There would be a reduced demand for food the inferior arable lands would be thrown out of cultivation, and would become pasture, the superior would be cultivated less highly, but with a greater proportional return, food would be lowered in price, and though money wages would not rise every labourer nould be consider ably improved in circumstances, an improvement which, if no increased stimulus to population and fall of wages ensued, would be permanent, while if there did, profits would rise, and accumulation start forward so as to repair the loss of capital. The landlords alone would sustain some loss of income, and even they, only if colonization went to the length of actually diminishing capi tal and population, but not if it merely carried off the annual increase

From the same principles we are now able to arrive at a final con clusion respecting the effects which machinery, and generally the sinking of capital for a productive purpose, pro-, duce upon the ammediate and ultimate interests of the labouring class characteristic property of this class of Industrial improvements is the converknon of circulating capital into fixed and it was shown in the First Book,* that in a country where capital accu mulates slowly, the introduction of ma chinery, permanent improvements of land, and the like, might be, for the time, extremely injurious, since the capital so employed might be directly taken from the wages fund, the subsistence of the people and the employment for labour curtailed, and the gross annual

Supra, p 59

produce of the country actually dimi? But in a country of great nished annual savings and low profits, no such effects need be apprehended even the emigration of capital, or its unproductive expenditure, or its absolute waste, do not in such a country, if confined within any moderate bounds, at all diminish the aggregate amount of the wages fund-still less can the mere conversion of a like sum into fixed capital, which continues to be productive, have that effect. It merely draws off at one ornice what was already flow ing out at another, or if not, the greater vacant space loft in the reservoir docs but cause a greater quantity to flow in Accordingly, in spite of the mischievous derangements of the money market which have been occasioned by the sinking of great sums in railways, I was never able to agree with those who apprehended mischief, from this source, to the productive resources of the coun Not on the absurd ground (which to any one acquainted with the elements of the subject needs no confutati tion) that railway expenditure is a more transfer of capital from hand to hand by which nothing is lost or destroyed This is true of what is spent in the pur chase of the land, a portion too of what is paid to parliamentary agents, coun sel, engineers, and surveyors, is saved by those who receive it, and becomes capital again but what is laid out in the bond fide construction of the rail way itself, is lost and gone, when once expended, it is incapable of ever being paid in wages or applied to the main tenance of labourers again, as a matrer of account, the result is that so much food and clothing and tools have been consumed, and the country has got a railway instead. But what I would urge is, that sums so applied are mostly a mere appropriation of the annual overflowing which would otherwise have gone abroad, or been thrown away un profitably, leaving neither a railway nor any other tangible result. The railway gambling of 1844 and 1845 probably saved the country from a depression of profits and interest, and a rise of all public and private securities, which would have engendered still wilder spe-

culations, and when the effects came afterwards to be complicated by the scarcity of food, would have ended in a still more formidable orisis than was experienced in the years immediately following In the poorer countries of Europe, the rage for railway construction might have had worse consequences than in England, were it not that in those countries such enterprises are in a great measure carried on by foreign capital The railway operations of the various nations of the world may be looked upon as a sort of competition for the overflowing capital of the countries where profit is low and capital abundant, as England and Holland. The English railway speculations are a struggle to keep our annual increase of capital at home, those of foreign countries are an effort to obtain it.

It already appears from these con siderations, that the conversion of circulating capital into fixed, whether by railways, or manufactories, or ships, or machinery, or canals, or mines, or works of dramage and irrigation, is not likely, in any rich country, to diminish the gross produce or the amount of employment for labour How much then is the case strengthened, when we consider that these transformations of capital are of the nature of improvements in producition, which, instead of ultimately diminishing circulating capital, are the necossary conditions of its increase, since they alone enable a country to possess a constantly augmenting capital, without reducing profits to the rate which would cause accumulation to stop There is hardly any increase of fixed capital which does not enable the country to contain eventually a larger circulating capital, than it otherwise could possess and employ within its

It is hardly needful to point out how fully the remarks in the text have been verified by subsequent facts. The capital of the country, far from having been in any degree impaired by the large amount sunk in rail way construction, was soon again over flewing.

own limits, for there is hardly any creation of fixed capital which, when it proves successful, does not cheapen the articles on which wages are habi tually expended All capital sunk in the permanent improvement of land lessens the cost of food and materials. almost all improvements in machinery cheapen the labourer's clothing or lodging, or the tools with which these are made, improvements in locomotion, such as railways, cheapen to the con sumer all things which are brought from a distance All these improvements make the labourers better off with the same money wages, better off if they do not increase their rate of multiplication But if they do, and wages consequently fall, at least profits rise, and, while accumulation receives an immediate stimulus, room is made for a greater amount of capital before a sufficient motive arises for sending if abroad Even the improvements which do not cheapen the things consumed by the labourer, and which, therefore, do not raise profits nor retain capital in the country, nevertheless, as we have seen, by lowering the minimum of profit for which people will ultimately consent to save, leave an ampler margin than previously for eventual accumulation, before arriving at the stationary state

We may conclude, then, that im provements in production, and emigra tion of capital to the more fertile soils and unworked mines of the uninhabited or thinly peopled parts of the globe, de not, as appears to a superficial view, diminish the gross produce and the demand for labour at home, but, on the contrary, are what we have chiefly to depend on for increasing both, and are even the necessary conditions of any great or prolonged augmentation of either Nor is it any exaggeration to say, that within certain, and not very narrow, limits, the more capital a country like England expends in these two ways, the more she will have left

CHAPTER VL

OF THE STATIONARY STATE

§ 1 THE preceding chapters com prise the general theory of the economical progress of society, in the sense in which those terms are commonly , understood, the progress of capital, of population, and of the productive arts But in contemplating any progressive movement, not in its nature unlimited, the mind is not satisfied with merely tracing the laws of the movement, it cannot but ask the further question, to what goal? Towards what ultimate point is society tending by its indus trial progress? When the progress ceases, in what condition are we to expect that it will leave mankind?

It must always have been seen, more or less distinctly, by political economists, that the increase of woalth is not boundless that at the end of what they term the progressive state lies the stationary state, that all progress in wealth is but a postponement of this. and that each step in advance is an approach to it. We have now been led to recognise that this ultimate goal is at all times near enough to be fully in view, that we are always on the verge of it, and that if we have not reached it long ago, it is because the goal itself flies before us The richest and most prosperous countries would very soon attain the stationary state, if no further improvements were made in the productive arts, and if there were a suspension of the overflow of capital from those countries into the uncultivated or ill-cultivated regions of the earth

This impossibility of ultimately avoiding the stationary state-this irresistible necessity that the stream of human industry should finally spread itself out into an apparently stagnant sca-must have been, to the political economists of the last two generations, an unpleasing and discouraging prospect, for the tone and tendency of their speculations goes

completely to identify all that is economically desirable with the progressive With Mr state, and with that alone M'Culloch, for example, prosperity does !! not mean a large production and a good distribution of wealth, but a rapid increase of it, his test of prosperity is high profits, and as the tendency of that very increase of wealth, which he calls prosperity, is towards low profits, economical progress, according to him, must tend to the extinction of pros Adam Smith always assumes that the condition of the mass of the people, though it may not be positively distressed, must be pinched and stinted in a stationary condition of wealth, and can only be satisfactory in a progressive The doctrine that, to however distant a time incessant struggling may put offour doom, the progress of society must "end in shallows and in miseries, far from being, as many people still; believe, a wicked invention of Mr Mal thus, was either expressly or tacitly! affirmed by his most distinguished pro decessors, and can only be successfully! combated on his principles Before attention had been directed to the prin ciple of population as the active force in determining the remuneration of labour, the increase of mankind was virtually treated as a constant quan it was, at all events, assumed that in the natural and normal state of human affairs population must con stantly increase, from which it followed that a constant increase of the means of support was essential to the physical comfort of the mass of mankind publication of Mr Malthus' Essay is the era from which better views of this subject must be dated, and notwithstanding the acknowledged errors of his first edition, few writers have done more than himself, in the subsequent editions, to promote these juster and more hopeful anticipations

Even in a progressive state of capital,

in old countries, a conscientious or prudential restraint on population is indispensable, to prevent the increase of numbers from outstripping the in crease of capital, and the condition of the classes who are at the bottom of society from being deteriorated Where there is not, in the people, or in some very large proportion of them, a resolute resistance to this deterioration—a determination to preserve an es tablished standard of comfort—the condition of the poorest class sinks, even in a progressive state, to the lowest point which they will consent to endure The same determination would be equally effectual to keep up their condition in the stationary state, and would be quite as likely to exist deed, even now, the countries in which the greatest prudence is manifested in the regulating of population, are often those in which capital increases least Where there is an indefinite rapidly prospect of employment for increased numbers, there is apt to appear less necessity for prudential restraint. If it were evident that a new hand could not obtain employment but by displacing, or succeeding to, one already employed, the combined influences of prudence and public opinion might in some measure be relied on for restricting the coming generation within the numbers necessary for replacing the present

2 I cannot, therefore, regard the stationary state of capital and wealth with the unaffected aversion so gene rally manifested towards it by political economists of the old school clined to believe that it would be, on the whole, a very considerable improvement on our present condition foss I am not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on, that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human kind, or anything but the disagreeable symptoms of one of the phases of industrial progress It may be a necessury stage in the progress of civiliza

tion, and those European nations which have hitherto been so fortunate as to be preserved from it, may have it yet to undergo It is an incident of growth not a mark of decime, for it is not nocessarily destructive of the higher aspirations and the heroic virtues, as America, in her great civil war, is proving to the world, both by her conduct as a people and by numerous splendid individual examples, and as England, it is to be hoped, would also prove on an equally trying and exciting But it is not a kind of social perfection which philanthropists come will feel any very eager desire to assist in realizing Most fitting, in deed, is it, that while riches are power, and to grow as rich as possible the universal object of ambition, the path to its attainment should be open to all, without favour or partiality best state for human nature is that in which, while no one is poor, no one desires to be richer, nor has any reason to fear being thrust back, by the efforts of others to push themselves forward

That the energies of mankind should be kept in employment by the struggle for riches, as they were formurly by the struggle of war, until the better minds succeed in educating the others into better things, is undoubtedly more desirable than that they should rust and stagnate While minds are coarse they require coarse stimuli, and let them have them In the meantime, those who do not accept the present very early stage of human improvement as its ultimate type, may be excused for being comparatively indif ferent to the kind of economical progress which excites the congratulations of ordinary politicians, the mere in crease of production and accumulation For the safety of national independence it is essential that a country should not fall much behind its neighbours in these But in themselves they are of things little importance, so long as either the increase of population or anything else prevents the mass of the people from reaping any part of the benefit of them I know not why it should be matter of congratulation that persons who are already richer than any one needs to

be, should have doubled their means of) consuming things which give little or no pleasure except as representative of wealth, or that numbers of individuals should pass over, every year, from the middle classes into a richer class, or from the class of the occupied rich to that of the unoccupied It is only in the backward countries of the world that increased production is still an important object in those most advanced, what is economically needed is a better distribution, of which one indispensable means is a stricter restraint on popula-Levelling institutions, either of a just or of an unjust kind, cannot alone accomplish it, they may lower the heights of society, but they cannot, of themselves, permanently raise the depths

On the other hand, we may suppose this better distribution of property atlained, by the joint effect of the pra dence and frugality of individuals, and of a system of legislation favouring equality of fortunes, so far as is con sistent with the just claim of the indi vidual to the fruits, whether great or small, of his or her own industry may suppose, for instance, (according to the suggestion thrown out in a former chapter, ") a limitation of the sum which any one person may acquire by gift or inheritance, to the amount sufficient to constitute a moderate independence Under this twofold influence, society would exhibit these leading features a well paid and affluent body of la bourers, no enormous fortunes, except what were carned and accumulated during a single lifetime, but a much larger body of persons than at present, not only exempt from the coarser toils, but with sufficient leisure, both physical and mental, from mechanical details, to cultivate freely the graces of life, and afford examples of them to the classes less favourably circumstanced for their growth This condition of society, so greatly preferable to the present, is not only perfectly compatible with the stationary state, but, it would [seem, more naturally allied with that] state than with any other

There is room in the world, no doubt,

findin u, 139

and even in old countries, for a great increase of population, supposing the arts of life to go on improving, and capital to increase But even if innocul ous, I confess I see very little reason for desiring it The density of population necessary to enable mankind to obtain, in the greatest degree, all the advantages both of co-operation and of social intercourse, has, in all the most populous countries, been attained population may be too crowded, though all be amply supplied with food and rument. It is not good for man to be kept perforce at all times in the presence of his species A world from which solitude is extirpated, is a very poor Solitude, in the sense of being often alone, is essential to any depth of meditation or of character, and soli tude in the presence of natural beauty and grandeur, is the cradle of thoughts and aspirations which are not only good for the individual, but which society could ill do without. Nor is there much satisfaction in contemplating the world with nothing left to the spontaneous activity of nature, with every rood of land brought into cultivation, which is capable of growing food for human beings, every flowery waste or natural pasture ploughed up, all quadrupeds or birds which are not domesticated for man's use exterminated as his rivals for food, every hedgerow or superfluous tree rooted out, and scarcely a place left where a wild shrab or flower could grow without being cradicated as a weed in the name of improved agricul ture If the earth must lose that great portion of its pleasantness which it owes to things that the unlimited in crease of wealth and population would extirpate from it, for the mere purpose of enabling it to support a larger, but not a better or a happier population, I sincerely hope, for the sake of posterity, that they will be content to be stationary, long before necessity compels them to it.

It is scarcely necessary to remark that a stationary condition of capital, and population implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture, and moral and

social progress, as much room for im proving the Art of Living, and much more likelihood of its being improved, when minds ceased to be engrossed by the art of getting on Even the industrial arts might be as carnestly and as successfully cultivated, with this sole difference, that instead of serving no purpose but the increase of wealth, in dustrial improvements would produce their legitimate effect, that of abridging Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being They have enabled a greater population to live the same life of drudgery and imprisonment, and an

increased number of manufacturers and others to make fortunes They have increased the comforts of the middle But they have not yet begun classes to effect those great changes in human destiny, which it is in their nature and in their futurity to accomplish when, in addition to just institutions, the increase of mankind shall be under the deliberate guidance of judicious fore sight, can the conquests made from the powers of nature by the intellect and energy of scientific discoverers, become the common property of the species, and the means of improving and elevating the universal lot

CHAPTER VII

OL THE PROBABLE FUTURITY OF THE LABOURING CLASSES

The observations in the preceding chapter had for their principal object to deprecate a fulse ideal of human society Their applicability to , the practical purposes of present times, consists in moderating the inordinate importance attached to the mere in crease of production, and fixing atten tion upon improved distribution, and a large remuneration of labour, as the two desiderata Whether the aggre-, gate produce increases absolutely or not, is a thing in which, after a certain amount has been obtained, neither the legislator nor the philanthropist need feel any strong interest but, that it should increase relatively to the number of those who share in it, is of the utmost possible importance, and this, (whether the wealth of mankind be stationary, or increasing at the most rapid rate ever known in an old country,) must depend on the opinions and habits of the most numerous class, the class of manual labourers

When I speak, either in this place or elsewhere, of "the labouring classes," for of labourers as a "class," I use those phrases in compliance with custom, and as descriptive of an existing, but

by no means a necessary or permanent' state of social relations. I do not recognise as either just or salutary, a state of society in which there is any "class" which is not labouring, any human beings, exempt from bearing their share of the necessary labours of human life, except those unable to labour, or who have fairly earned rest by previous toil. So long, however, as the great social evil exists of a non labouring class, labourers also constitute a class, and may be spoken of, though only provisionally, in that character.

Considered in its moral and social aspect, the state of the labouring people has latterly been a subject of much more speculation and discussion than formerly, and the opinion, that it is not now what it ought to be, has become very general The suggestions which have been promulgated, and the controversies which have been excited, on detached points rather than on the foundations of the subject, have put in evidence the existence of two conflicting theories, respecting the social position desirable for manual labourers The one may be called the theory of

dependence and protection, the other ideal

According to the former theory, the lot of the poor, in all things which affect them collectively, should be re-They gu ated for them, not by them should not be required or encouraged to think for themselves, or give to their own reflection or forecast an influential voice in the determination of their des It is supposed to be the duty of the higher classes to think for them, and to take the responsibility of their lot, as the commander and officers of an army take that of the soldiers com hosing it. This function, it is con tended, the higher classes should pre pare themselves to perform conscien tiously, and their whole demeanour should impress the poor with a reliance on it, in order that, while yielding passive and active obedience to the rules prescribed for them, they may resign thomselves in all other respects to a trustful insouciance, and repose under the shadow of their protectors. The relation between rich and poor, accord ing to this theory, (a theory also applied to the relation between men and women) should be only partly authora it should be amiable, moral, and sentimental affectionate tutelage on the one side, respectful and grateful deference on the other. The rich should be in loco parentis to the poor, guiding and restraining them like children spontaneous action on their part there should be no need They should be called on for nothing but to do their day's work, and to be moral and rela Their merality and religion should be provided for them by their superiors, who should see them properly taught it, and should do all that is necessary to ensure their being in return for labour and attachment, protherly fed, clothed, housed, spiritually edified, and innocently amused

This is the ideal of the future, in the minds of those whose dissatisfaction with the Present assumes the form of affection and regret towards the Past I ske other pleals, it exercises an unconscious influence on the opinions and sentiments of numbers who never consciously guide themselves by any

It has also this in common with other ideals, that it has never been historically realized. It makes its appeal to our imaginative sympathies in the character of a restoration of the good times of our forefathers But no times can be pointed out in which the higher classes of this or any other country performed a part even distantly resembling the one assigned to them in this theory It is an idealization, grounded on The conduct and character of here and there All privileged and an individual powerful classes, as such, have used their power in the interest of their own selfishness, and have indulged their self importance in despising, and not in lovingly caring for, those who were, in their estimation, degraded, by being under the necessity of working for their I do not affirm that what has always been must always be, or that human improvement has no tendency to correct the intensely selfish feelings engendered by power, but though the evil may be lessened, it cannot be eradi cated, until the power itself is with drawn This, at least, seems to me un deniable, that long before the superior classes could be sufficiently improved to govern in the tutelary manner sup posed, the inferior classes would be tot much improved to be so governed

I am quite sensible of all that is seductive in the picture of society which this theory presents I hough the facts of it have no prototype in the past, the feelings have In them lies all that there is of reality in the conception As the idea is essentially repulsive o a society only held together by the re lations and feelings arising out of re cumary interests, so there is something naturally attractive in a form of society abounding in strong personal attach ments and disintercated self-devotion Of such feelings it must be admitted that the relation of protector and protected has hitherto been the richest The strongest attachments of human beings in general, are towards the things or the persons that stand between them and some dreaded eval. Hence, in an age of lawless violence and insecurity, and general hardness and roughness of manners, in which

he is beset with dangers and sufferings at every step, to those who have neither a commanding position of their own, nor a claim on the protection of some one who has -- a generous giving of protection, and a grateful receiving of it. are the strongest ties which connect thuman beings, the feelings arising from that relation are their warmest feelings, all the enthusiasm and tender ness of the most sensitive natures gather fround it, loyalty on the one part and chivalry on the other are principles ex alted into passions I do not desire to depreciate these qualities The error hes in not perceiving, that these virtues and sent ments, like the clanship and the hospitality of the wandering Arab. belong emphatically to a rude and imperfect state of the social union, and that the feelings between protector and protected, whether between kings and subjects, rich and poor, or men and women, can no longer have this beauti ful and endearing character, where there are no longer any serious dangers from which to protect. What is there In the present state of society to make ht natural that human beings, of ordinary strength and courage, should glow with the warmest gratitude and devotion in return for protection? The laws protect them, wherever the laws do not criminally fail in their duty ander the power of some one, instead of being as formerly the sole condition of safety, is now, speaking generally, the only situation which exposes to The so-called protecgrievous wrong fors are now the only persons against hom, in any ordinary circumstances, protection is needed The brutality and tyranny with which every police report is filled, are those of husbands to wives, of parents to children the law does not prevent these atrocities, that it is only now making a first hmid attempt to repress and punish them, is no matter of necessity, but the deep disgrace of those by whom the lans are made and administered man or woman who either possesses or 18 able to earn an independent livelihood, requires any other protection than that which the law could and onghi to give. This being the case it

argues great ignorance of human nature to continue taking for granted that relations founded on protection must always subsist, and not to see that the assumption of the part of protector, and of the power which belongs to it, without any of the necessities which justify it, must engender feelings opposite to loyalty

Of the working men, at least in the more advanced countries of Europe, it may be pronounced certain, that the patriarchal or paternal system of government is one to which they will not That question was tooldua ed ninga decided, when they were taught to rend, and allowed access to newspapers and political tracts, when dissenting preachers were suffered to go among thom, and appeal to their faculties and feelings in opposition to the creeds professed and countenanced by their superiors, when they were brought together in numbers, to work socially under the same roof, when railways enabled them to shift from place to place, and change their prirons and employers as easily as their coats, when they were encouraged to seek a share in the government, by means of the electoral franchise The working classes have taken their interests into their own hands, and are perpetually? showing that they think the interests of their employers not identical with their own, but opposite to them among the higher classes flatter them selves that these tendencies may be counteracted by moral and religious education, but they have let the time go by for giving an education which can serve their purpose. The principles of the Reformation have reached as low down in society as reading and writing, and the poor will not much longer accept morals and religion of other people's prescribing 1 speak more particularly of this country, especially the town population, and the districts of the most scientific agricul ture or the highest wages, Scotland and the north of England. Among the more mert and less modernized agricultural population of the southern counties, it might be possible for the gentry to retain, for some time longer

something of the encient deference and submission of the poor, by bribing them with high wages and constant employment, by ensuring them sup port, and never requiring them to do anything which they do not like these are two conditions which never have been combined, and never can be, for long together A guarantee of subsistence can only be practically kept up, when work is enforced, and superfluous multiplication restrained, by at least a moral compulsion then, that the would be revivers of old times which they do not understand, would feel practically in how hopeless a task they were engaged The who'e fabric of patriarchal or seignorial in fluence, attempted to be raised on the foundation of caressing the poor, would be shattered against the necessity of enforcing a stringent Poor law

It is on a far other basis that the well being and well-doing of the labouring people must henceforth rest The poor have come out of leading strings, and cannot any longer be governed or treated like children their own qualities must now be com mended the care of their destiny Modern nations will have to learn the lesson, that the well being of a people must exist by means of the justice and self government, the δικαιοσύνη and σωφροσύνη, of the individual citizens The theory of dependence attempts to dispense with the necessity of these qualities in the dependent classes. But now, when even in position they are becoming less and less dependent, and their minds less and less acquiescent in the degree of dependence which re mains, the virtues of independence are those which they stand in need of A Whatever advice, exhortation, or guid ance is held out to the labouring classes. must henceforth be tendered to them as equals, and accepted by them with their eyes open The prospect of the future depends on the degree in which they can be made rational beings

There is no reason to believe that prospect other than hopeful. The progress indeed has hitherto been, and still is slow. But there is a spouta

neous education going on in the minus of the multitude, which may be greatly accelerated and improved by artificial f The instruction obtained from newspapers and political tracts maj not be the most solid kind of instruct tion, but it is an immense improvement! upon none at all What it does for a people, has been admirably exemplified during the cotton crisis, in the case of the Lancishire spinners and weavers, who have acted with the consistent good sence and forbearance so justif simply because, applauded, renders of newspapers, they understood the causes of the calamity which had befallen them, and knew that it was in no way imputable either to their em ployers or to the Government not certain that their conduct would have been as rational and exemplary, if the distress had preceded the salu tary measure of fiscal emancipation which gave existence to the penny The institutions for lectures and discussion, the collective delibe rations on questions of common inte rest, the trades unions, the political agitation, all serve to awaken public spirit, to diffuse variety of ideas among the mass, and to excite thought and reflection in the more intelligent Although the too early attainment of political franchises by the least edu cated class might retard, instead of promoting, their improvement, there can be little doubt that it has been greatly stimulated by the attempt to acquire them In the meantime, the working classes are now part of the public, in all discussions on matters of general interest they, or a portion of them, are now partakers, all who uso the press as an instrument may, if it so happens, have them for an audience, the avenues of instruction through which the middle classes acquire such ideas as they have, are accessible to, at least, the operatives in the towns. With these resources, it cannot be doubted that they will increase in in telligence, even by their own unaided efforts, while there is reason to hope that great improvements both in the quality and quantity of school education will be effected by the exertions either of Government or of individuals, and that the progress of the mass of the people in mental cultivation, and in the virtues which are dependent on it, will take place more rapidly, and with fewer intermittences and aberrations, than if left to itself

From this increase of intelligence, several effects may be confidently an ticipated Lirst that they will become even less willing than at present to be led and governed, and directed into the way they should go, by the mere au thorsty and prestige of superiors ther have not now, still less will they have hereafter, any deferential awe, or religious principle of obedience, holding them in mental subjection to a class above them. The theory of dependence and protection will be more and more intelerable to them, and they will require that their conduct, and condition shall be essentially self-governed is, at the same time, quite possible that they may demand, in many cases, the intervention of the legislature in their affairs, and the regulation by law of various things which concern them, often under very mistaken 'deas of their interest Still, it is their own will, their own ideas and suggestions, to which they will demand that effect should be given, and not rules laid idown for them by other people quite consistent with this, that they should feel respect for superiority of intellect and knowledge, and defer much to the opinions, on any subject, of those whom they think well acquainted with it Such deference 18 deeply grounded in human nature, but they will judge for themselves of the persons who are and are not entitled to it

s & It appears to me impossible out that the increase of intelligence, of education, and of the love of independence among the working classes, must be attended with a corresponding growth of the good sense which manifests itself in provident habits of conduct, and that population, therefore, will bear a gradually diminishing ratio to capital and employment. This most invitable result would be much accele

rated by another change, which lies in the direct line of the best tendencies of the time, the opening of industrial occupations freely to both sexes same reasons which make it no longer necessary that the poor should depend on the rich, make it equally unnecessary that women should depend on men, and the least which justice re quires is that law and custom should not enforce dependence (when the cor relative protection has become super fluous) by ordaining that a woman, who does not happen to have a provi sion by inheritance, shall have scarcely any means open to her of gaining a hvelihoo l, except as a wife and mother Let women who prefer that occupation, adopt it, but that there should be no option, no other career possible for the great majority of women, except in the humbler departments of life, is a flagrant social injustice. The ideas and institutions by which the accident of sex is made the groundwork of ar inequality of legal rights and a forced dissimilarity of social functions, must ere long be recognised as the greatest hindrance to moral, social, and even intellectual improvement present occasion I shall only indicate, among the probable consequences of the industrial and social independence of women, a great diminution of the evil of over population. It is by devot ing one half of the human species to that exclusive function, by making if fill the entire life of one sex, and inter weave itself with almost all the objects of the other, that the animal instinct in question is nursed into the disproportionate preponderance which it has hitherto exercised in hiiman life

§ 4 The political consequences of the increasing power and importance of the operative classes, and of the growing ascendancy of numbers, which even in England and under the present institutions, is rapidly giving to the will of the majority at least a negative voice in the acts of government, are too wide a subject to be discussed in this place. But, confining ourselves to economical considerations, and not with standing the effect which improved.

intelligence in the working classes, together with just laws, may have in caltering the distribution of the produce · to their advantage, I cannot think that they will be permanently contented with the condition of labouring for wages as their ultimate state may be willing to pass through the class of servants in their way to that of employers, but, of to remain in it all their lives To begin as hired labourers, then after a few years to work on their own account, and finally employ others, is the normal condition of labourers in a new country, rapidly increasing in wealth and population, But in an like America or Australia old and fully peopled country, those who begin life as labourers for hire, as a general rule, continue such to the send, unless they sink into the still , lower grade of recipients of public charity In the present stage of human progress, when ideas of equality are daily spreading more widely a nong the poorer classes, and can no longer be checked by anything short of the entire suppression of printed discussion and even of freedom of speech, it is not to be expected that the division of the human race into two hereditary classes, employers and employed, can be permanently maintained The relation is nearly as unsatisfactory to the paver of wages as to the receiver. If the rich regard the poor as, by a kind of natural law, their servants and dependents, the rich in their turn are regarded as a mere prey and pasture for the poor, the subject of demands and expectations wholly indefinite, increasing in extent with every concession made to The total absence of regard for justice or fairness in the relations between the two, is as marked on the side of the employed as on that of the em We look in vain among the working classes in general for the just pride which will choose to give good work for good wages for the most part, their sole endeavour is to receive as much, and return as hitle in the shape of service, as possible It will sooner or later become insupportable to the employing classes to live in close and hourly contact with persons whose

interests and feelings are in hostility to them. Capitalists are almost as much interested as labourers, in placing the operations of industry on such a footing, that those who labour for them may feel the same interest in the work, which is felt by those who labour on their own account.

The opinion expressed in a former part of this treatise respecting small landed properties and peasant proprie tors, may have made the render anti cipate that a wide diffusion of property in land is the resource on which I rely for exempting at least the agricultural Inbourers from exclusive dependence on labour for hire Such, however, is not my opinion I indeed deem that form of agricultural economy to be most groundlessly cried down, and to be greatly preferable, in its aggregate effects on human happiness, to hired labour in any form in which it exists at present, because the prudential check to population acts more directly, and is shown by experience to be more efficacious, and because, in point of security, of independence, of exercise for any other than the animal faculties, the state of a peasant proprietor is far superior to that of an agricultural labourer in this or in any other old coun Where the former system already exists, and works on the whole satis factorily, I should regret, in the present state of human intelligence, to see it abolished in order to make way for the other, under a pedantic notion of agri cultural improvement as a thing neces samly the same in every diversity of circumstances. In a backward state of industrial improvement, as in Ireland, I should urge its introduction, in preference to an exclusive system of hired labour, as a more powerful in strument for raising a population from semi-savage listlessness and reckless ness, to persevering industry and prul dent calculation

But a people who have once adopted the large system of production, either in manufactures or in agriculture, are not likely to recede from it, and when population is kept in due proportion to the means of support, it is not desir able that they should. I about is un

questionably more productive on the system of large industrial enterprises, the produce, if not greater absolutely, 15 greater in proportion to the labour employed the same number of persons can be supported equally well with less toil and greater leisure, which will be whelly an advantage, as soon as civiliration and improvement have so fir advanced that what is a benefit to the while shall be a benefit to each individual composing it. And in the moral aspect of the question, which is still more important than the economical, some thing better should be aimed at as the goal of industrial improvement, than to disperse in inkind over the earth in single families, each ruled internally, as families now are, by a patriarchal despot, and having scarcely any community of interest or necessary mental communion, with other human beings. The domination of the head of the family over the other members, in this state of things, is absolute, while the effect on his own mind tends towards concentration of all interests in the family, considered as an expansion of golf and absorption of all passions in that of exclusive possession, of all cares in these of preservation and acquisition As a step out of the mercly animal state into the human, out or rickless abandonment to brute instincts into prudential foresight and self-govern ment, this moral condition may be seen But if public without d spleasure spirit, generous centiments, or true justice and equality are desired, association, not isolation, of interests, is the school in which these excellences are The aim of improvement should be not solely to place human beings in a condition in which they will be able to do without one another, but to enable them to work with or for one another in relations not involving de-Hitherto there has been no pendence alternative for those who hved by their labour, but that of labouring either each for himself alone, or for a master But the civilizing and improving in fluences of association, and the officiency and economy of production on a large scale, may be obtained without dividing the producers into two parties

with hosti'e interests and feelings, the many who do the work being mere servants under the communid of the one who supplies the funds, and having no interest of their own in the enterprise except to earn their wages with as little labour as possible. The specula tions and discussions of the last fifty years, and the events of the last twenty, are abundantly conclusive on this point If the improvement which even tri umphant militari despotism has only returded, not stopped, shall continue its course, there can be little doubt that the status of hired labourers will gradually tend to confine itself to the de scription of workpeople whose low moral qualities render them unfit for anything more independent and that the relation of masters and workpeople will be gradually superseded by partner-lip, in one of two forms cases, association of the labourers with the cupitalist, in others, and perhaps finally in all, association of labourers among themselves

The first of these forms of association has long been practised, not indeed as a rule, but as an excep-In several departments of industry there are already cases in which every one who contributes to the work. either by labour or by pecuniary re sources, has a partner's interest in it, proportional to the value of his contri It is already a common prictice to remunerate those in whom pe culiar trust is reposed, by means of a percentage on the profits and cases exist in which the principle is, with excellent success, carried down to the class of mere manual labourers

In the American ships trading to China, it has long been the custom for every sailor to have an interest in the profits of the vovage, and to this has been ascribed the general good conduct of those scamen and the extreme rarity of any collision between them and the government or people of the count! An instance in England, not so well known as it deserves to be, is that of the Cornish miners "In Cornwall the mines are worked strictly on the system of joint adventure, gangs of miners

contracting with the agent, who repre sents the owner of the mine, to execute a certain portion of a vein, and fit the ore for market, at the price of so much in the pound of the sum for which the These contracts are put ore is sold up at certain regular periods, generally every two months, and taken by a voluntary partnership of men accustomed This system has its disto the mine ndvantages, in consequence of the un certainty and irregularity of the carn ings, and consequent necessity of living for long periods on credit, but it has advantages which more than counterbalance these drawbacks It produces a degree of intelligence, independence, and moral elevation, which raise the condition and character of the Cornish miner far above that of the generality of the labouring class We are told by Dr Barham, that 'they are not only, as a class, intelligent for labourers, but men of considerable knowledge ' Also, that 'they bave a character of indepen dence, something American, the system by which the contracts are let giving the takers entire freedom to make arrangements among themselves, so that each man feels, as a partner in his little firm, that he meets his em ployers on nearly equal terms '

With this basis of intelligence and in dependence in their character, we are not surprised when we hear that 'a very great number of miners are now located on possessions of their own, leased for three lives or minety nine years, on which they have built houses,' or that '281,541' are deposited in savings banks in Cornwall, of which two-thirds are estimated to belong to

miners '"*

Mr Babbage, who also gives an account of this system, observes that the payment to the crews of whaling ships is governed by a similar principle, and that "the profits arising from fishing with nets on the south coast of Eng kind are thus divided one-half the produce belongs to the owner of the boat

• This passage is from the Prize Essay on the Causes and Romelles of National Distress, by Mr. Samuel Laing The extracts which it includes are from the Appendix to the Report of the Children's Employment Commission.

and net, the other link is divided in equal portions between the persons using it, who are also bound to assist in repairing the net when required." Mr Babbage has the great ment of having pointed out the practicability, and the advantage, of extending the principle to manufacturing industry generally."

Some attention has been excited by an experiment of this nature, com menced about sixteen years ago by: Paris tradesman, a house painter, M Leclaire, + and described by him in pamphlet published in the year 1842 M Leclare, according to his state ment, employs on an average two hut dred workmen, whom he pays in the usual manner, by fixed wages or salaries He assigns to himself, besides interest for his capital, a fixed allow ance for his labour and responsibility as manager At the end of the year, the surplus profits are divided among the body, himself included, in the pro portion of their salaries # The reasons by which M. Leclaire was led to adopt this system are highly instructive Finding the conduct of his workmen unsatistactory, he first tried the effect of giving higher wages, and by this he managed to obtain a body of excellent workmen, who would not quit his service for any other "Having thus succeeded" (I quote from an abstract "Having thus of the pamphlet in Chambers' Journal. S) "in producing some sort of stability in the arrangements of his establishment. M Loclaire expected, he says, to enjoy greater peace of mind. In this, how ever, he was disappointed So long as he was able to superintend everything * Economy of Machinery and Manufuc-

tures 3rd edition, ch 28
† His establishment is 11, Rue Saint Georges.

t it appears, however, that the workmen whom M Leclaire had admitted to this participation of profits, were only a portion (rather less than half) of the whole number whom he employed This is explained by another part of his system M Leclaire pays the full market rate of wages to all his workmen The shere of profit assigned to them is, therefore, a clear addition to the ordinary gains of their class, which he very laudably uses as an instrument of improvement, by making it the reward of desert, or the recompense for peculiar trust.

5 For September 27 1845

The beneficent example set by M Leclaire has been followed, with brilliant success, by other employers of labour on a large scale at Paris, and I annex, from the work last referred to (one of the ablest of the many able traitses on political economy produced by the present generation of the political economists of France), some signal examples of the economical and moral benefit arising from this admirable arrangement.

three-fifths divided among the body M Lecisire however now reserves to himself the right of deciding who shall share in the distribution and to what amount, only binding himself never to retain any part but to bestow whatever has not been awarded to Individuals, on the Provident Society. It is further provided that in case of the retirement of both the private partners the good will and plant shall become without payment the procest of the Society.

ment, the property of the Society
"In March 1847, M Paul Dupont, the head of a Paris printing-office, had the files of taking his workmen into partnership by assigning to them a tenth of the profits habitually employs three hundred; two hundred of them on piece work and a hundred by the day. He also employs a hundred extra hands, who are not included in the association. The portion of profit which falls to the workmen does not bring them in, on the average, more than the amount of a fortuight a wages; but they re ceive their ordinary pay according to the rates established in all the great Paris print ing offices; and have besides, the advantage of medical attendance in lilness at the expense of the association, and a franc and a half per day while incapacitated for work The workmen cannot draw out their share of profit except on quitting the association it is left at interest, (sometimes invested in the public funds) and forms an accumulating reserve of savings for its owners.

"M. Dupont and his partners find this as sociation a source of great additional profit to them the workmen on their side, con gratulate themselves dally on the happy idea of their employer Several of them have by their exertions caused the establishment to gain a gold medal in 1849, and an honorary medal at the Universal Exhibition of 1855; some even have personally received the re compense of their inventions and of their labours Under an ordinary employer these excellent people would not have had leisure to prosecute their inventions unless by leaving the whole honour to one who was not the zuthor of them but, associated as they were, if the employer had been unjust, two hun dred men would have obliged him to repair the wrong

I have visited this establishment, and have been able to see for myself the improve ment which the partnership produces in the babits of the workpeople

Until the pissing of the Linuted Lability Act, it was held that an arrangement similar to M I celaire's would have been impossible in Ingland, as the workmen could not, in the previous state of the law, have been associated in the profits without being liable for losses. One of the many benefits of that great legislative improvement, has been to render partner slups of this description possible and we may now hope to see them carried

"M Gisquet, formerly Prefect of Police has long been the proprietor of an oil manu factory at St. Denis, the most important one in France next to that of M Darblay of Corbell When in 1849 he took the personal management of it, he foun! workmen who got drunk several days in the week, and during their work sung amoked, and some times quarrelled with one another unsuccessful attempts had been made to alter this state of things he accomplished it by forbidding his workmen to get drunk on working days, on pain of dismissal, and at the same time promising to share with them b way of annual gratuity fire per cent of his net profits, in shares proportioned to wages, which are fixed at the current rates I rom that time the reformation has been complete, and he is surrounded by a hundred workmen full of zeal and devotion comforts have been increased by what they have ceased to spend in drink, and what they gain by their punctuality at work. The an nual gratuity has amounted on the average to the equivalent of six weeks wages

M Beslay, a member of the Chamber of Deputies from 1830 to 1839, and afterwards of the Constituent Assembly has founded an important manufactory of steam engine, at Paris in the Saubourg of the Temple He has taken his workpeople into partnership ever-since the beginning of 1847 and the contract of association is one of the most complete which have been made between employers and workpeople.

The practical sagnetty of Chinese emi

grants long ago suggested to them, according to the report of a recent visitor to Manilla, a similar constitution of the relation between 'In these an employer and labourers Chinese shops' (at Manilla) "the owner usually engages all the activity of his country men employed by him in them, by giving each of them a share in the profits of the con cern, or in fact by making them all small partners in the business, of which he of course takes care to retain the lion s share, so that while doing good for him by managing it well, they are also benefiting themselves To such an extent is this principle carried, that it is usual to give even their coolies a share in the profits of the business in lieu of fixed wages, and the plan appears to suit their temper well; for although they are in general most complete eye servants when working for a fixed wage, they are found to

into practice Messrs Briggs, of the Whitwood and Methley Collieries, near Normanton in Yorkshire, have taken They have issued a the first step proposal to work those collienes by a company, two-thirds of the capital of which they will themselves continue to hold, but will in the allotment of the remaining third give the preference to the "officials and operatives employed in the concern," and, what is of still greater importance, will propose to the shareholders that whenever the annual profit exceeds 10 per cent, one half the excess shall be divided among the workpeople and employés, whether shareholders or not, in proportion to their earnings during the year highly honourable to these important employers of labour to have initiated a system so full of benefit both to the operatives employed and to the general interest of social improvement, and they express no more than a just con fidence in the principle when they say, that "the adoption of the mode of appropriation thus recommended would. it is believed, add so great an element of success to the undertaking as to increase rather than diminish the divi dend to the shareholders"

/§ 6 The form of association, however, which if mankind continue to improve, must be expected in the end to predominate, is not that which can éxist between a capitalist as chief, and workpeople without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves So long as this idea remained in a state of theory, in the writings of Owen or of Louis Blanc, it may have appeared, to the common modes of judg ment, incapable of being realized, and not likely to be tried unless by seizing on the existing capital, and confiscat-

be most industrious and useful ones when interested even for the smallest share '— McMicking's Recollections of Manila and the Philippines during 1849, 1849, and 1850, p. 24

ing it for the benefit of the labourers. which is even now imagined by many persons, and pretended by more, both in England and on the Continent to be the meaning and purpose of Social ism But there is a capacity of exertion and selfdenial in the masses of man kind, which is never known but on the rare occasions on which it is appealed to in the name of some great idea or elevated sentiment Such an appeal was made by the French-Revolution of 1848 For the first time it then seemed to the intelligent and generous of the working classes of a great nation, that they had obtained a government who sincerely desired the freedom and dig nity of the many, and who did not look upon it as their natural and legiti mate state to be instruments of production, worked for the benefit of the possessors of capital Under this en couragement, the ideas sown by Socialist writers, of an emancipation of labour to be effected by means of association, throve and fructified, and many working people came to the resolution, not only that they would work for one another, instead of working for a master tradesman or manufacturer, but that they would also free themselves, at whatever cost of labour or privation, from the ne cessity of paying, out of the produce of their industry, a heavy tribute for the use of capital, that they would extinguish this tax, not by robbing the capitalists of what they or their predecessors had acquired by labour and preserved by economy, but by honestly acquiring capital for themselves only a few operatives had attempted this arduous task, or if, while many attempted it, a few only had succeeded, their success might have been deemed to furnish no argument for their system as a permanent mode of industrial organization. But, excluding all the instances of failure, there exist or ex isted a short time ago, upwards of a hundred successful, and many emi nently prosperous, associations of operatives in Paris alone, besides a con siderable number in the departments. An instructive sketch of their history and principles has been published,

under the title of "Association of Workpeople Manufacturing and Agricultural," by H Feugueray and as it is frequently affirmed in English newspapers that the associations at Paris have failed, by writers who appear to mistake the predictions of their enemies at their first formation for the testimonies of subsequent experience, I think it important to show by quotations from M Feuguerry's volume, strengthened by still later testimonies, that these representations are not only wide of the truth, but the extreme contrary of it

The capital of most of the associations was originally confined to the few tools belonging to the founders, and the small sums which could be col lected from their savings, or which were lent to them by other workpeople hs poor as themselves In some cases, however, loans of capital nere made to them by the republican government but the associations which obtained these advances, or at least which obtained them before they had already achieved success, are, it appears, in general by no means the most pros-The most striking instances perous of prosperity are in the case of those who have had nothing to rely on but their own slender means and the small loans of fellow workmen, and who hved on bread and water while they devoted the whole surplus of their gains to the formation of a capital. "Often," says M Feugueray, * "there was no money at all in hand, and no vages could be The goods did not go off, the payments did not come in, bills could not get discounted, the warehouse of materials was empty, they had to submit to privation, to reduce all expenses to the minimum, to live sometimes on bread and water It is at the price of these hardships and anxieties that men who began with hardly any re source but their good will and their hands, succeeded in creating customers, in acquiring credit, forming at last a joint capital, and thus founding associations whose futurity now seems to be assured."

I will quote at length the remark.

under the title of "Association of able history of one of these association of the title of these associations are the title of the tit

"The necessity of a large capital for the establishment of a pianoforte manufactors was so fully recognised in the trade, that in 1813 the delegates of several hundred workmen who had combined to form a great association, solicited from the government a subven tion of 300,000 francs [12,000], being a tenth part of the whole sum voted by the National Assembly I remember that as one of the Commission charged with the distribution of the fund, I tried in vain for two bours to convince the two delegates with whom the Commission conferred, that their request was exorbitant. They answered imperturbably, that their trade was a peculiar one, that the association could only have a chance of success on a very large scale and with a considerable capital, that 300,000 francs were the smallest sum which could suffice them, and that they could not reduce the demand by a single sou The Commimon refused

"Now, after this refusal, the project of a great association being abandoned, what happened was this Fourteen workmen, and it is singular that among them was one of the two delegates, resolved to set up by themselves a pianoforte making association. The project was hazardous on the part of men who had neither money nor credit but faith does not reason—it acts.

"Our fourteen men therefore wen to work, and I borrow from an excellent article by M Cochut in the National, the accuracy of which I can attest, the following account of their first proceedings

"Some of them, who had worked on their own account, brought with them in tools and materials the value of about 2000 francs [80l] There was needed besides a circulating capital. Each member, not without difficulty, managed to subscribe 10 francs [8s] A certain number of workmen not in terested in the society gave their ad hesion by bringing small contributions On March 10, 1849, a sum of 2294 francs [9l 8s 7½d] having been real

* Pp 113-16.

ized, the association was declared con-

"This sum was not even sufficient for setting up, and for the smell ox pens a required from day to day for the service of a workshop. There being nothing left for wiges, nearly two rionths elapsed vitbout their touching a farthing. How did they subsist during this interval? As workinen live when out of employment, by sharing the portion of a comrade who is in work, by selling or pawning but by but the few stricks they possess.

"They had executed some orders They received the payment on the 4th That day was for them like a victory at the opening of a campaign, and they determined to celebrate it After paying all dobts that had fallen due, the dividend of each member amounted to b france di centimes They agreed to allow to each 5 francs [1s] on account of his arges, and to devote the surplus to a fraternal repast The fourteen shareholders, most of shom had not traced wine for a year past, met, along with their wives and They expended 32 sous clu'dren is id per family I his day is still spoken of it their workshops with an emotion which it is difficult not to Blutte.

"I or a month longer it was necessary to content themselves with the recerpt of five francs per week In the course of June a baler, either from love of music or on speculation, offered to buy a piano paying for it in bread The bargain was made at the price of 480 francs It was a piece of good luck to the association They had now at least what was indispensable They determined not to reckon the bread in the account of wages ate according to his appetite, or rather to that of his family, for the married shareholders were allowed to take away their wives and brend freely for children

"Meanwhile the association, being composed of excellent workinen, gradually surmounted the obstacles and trivations which had embarrassed its starting. Its account-books offer the cost proof of the progress which its

pianoz had made in the estimation of From August 1849 the weekly contingent rises to 10, 15, and 20 france per week, and this last sum does not represent all their profits, each partner having left in the common stock much more than he received from Indeed it is not by the sum which the member receives weekly that his situation can be judged, but by the share acquired in the ownership of a property already considerable following was the position of the as sociation when it took stock on the 30th December 1850

"At this period the number of share holders was thirty two—Large work shops and warehouses, rented for 2000 tranes, were no longer sufficient for the busing 3

	Frs. (≻nt.
Independent of tools, valued at They persessed in goods and expecially in materials the	5,942	60
value of	22,972	23
They had in cash in bills	1,021 3,540	10
There was due to them?	5,861	90
They had thus to their credit Against this are only to be de bited 4737 frames 86 contimes due to creditors, and 1650 frames to eighty adherents;† in all	39 317	88
Lemaining [.	32,930 £1319 4	02

which formed their indivisible capital and the reserve of the individual members. At this period the association had 76 pianes under construction, and received more orders than they could execute.

From a later report we learn that this society subsequently divided itself into two separate associations, one of which, in 1854, already possessed a circulating capital of 56,000 francs; [22401] In 1863 its total capital was 6520L

* "The last two items consisted of safe accurities, nearly all of which have since been realized"

† These adherents are workmen of the trade, who subscribed small sums to the association at its commencement a portion of thom were reinbursed in the beginning of 1851. The sum due to creditors has also been much reduced: on the 13rd of April it only amounted to 113 franca 59 contines.

‡ Article by M. Cherbulies on Opera

H H 2

The same admirable qualities by ! which the associations were carried through their early struggles, main finned them in their increasing pros perity Their rules of discipline, in stead of being more lax, are stricter than those of ordinary workshops, but

tive Associations," in the Journal des Ecoro

mistes for November 1860

I subjoin, from M Villiaumé and M Cher buliez, detailed particulars of other eml nently successful experiments by associated workpeople

' We will first cite," savs M Cherbuliez, as having attained its object and arrived at a definitive result, the Association Remquet, of the Rue Garanelère, at Paris whose founder in 1848 was a foreman in M Re nouard's printing establishment. That firm being under the necessity of winding up he

proposed to his fellow-workmen to join with him in continuing the enterprise on their own account, asking a subvention from the government to cover the purchase money of the business and the first expenses | Fifteen of them accepted the proposal and formed an association whose statutes fixed the wages for every kind of work and provided for the gradual formation of a working capital by a deduction of 25 per cent from all wages and salaries on which deduction no dividend or interest was to be allowed during the ten years that the association was intended to Remquet asked and obtained for him self the entire direction of the enterprise, at s very moderate fixed salary At the wind ing up the entire profits were to be divided among all the members, proportionally to their share ir the capital that is to the work they had done. A subvention of 60,000 france was granted by the State, not without great difficulty, and on very onerous conditions In spite of these conditions, and of the un favourable circumstances resulting from the political situation of the country the asso-clation prospered so well that on the wind

the smallest and 18 000 the largest share "The Fraternal Association of Working Tinmen and Lampmakers had been founded in March 1848 by 500 operatives, comprising nearly the whole body of the trade This first attempt, inspired by unpractical ideas, not having survived the fatal days of June, a new association was formed of more modest proportions. Originally composed of forty members, it commenced business in 1849 with a capital composed of the subscriptions of its members, without asking for a subvention After various vicissitudes, which reduced the number of partners to three, then brought it back to fourteen then again sunk it to three, It ended by keeping togother forty six mem bers, who quietly remodelled their statutes m the points which experience had shown |

ing up after repaying the advance made by

the State it was in possession of a clear ca

pital of 155,000 france [62001], the division of

which gave on the average between ten and i

being rules self imposed, for the main fest good of the community, and not for the convenience of an employer regarded as having an opposite interest, they are far more scrupulously obeyed, and the voluntary obedience carries with it a sense of personal worth and

to be faulty, and their number having been raised by successive steps to 100 they possessed, in 1858 a joint property of 50 000 francs, and were in a condition to divide an

nually 20 000 france

"The Association of Operative Jewellers, the oldest of all, had been founded in 1431 by eight workmen, with a capital of 200 france [81] derived from their united savings subvention of 21 000 france enabled them in 1949 greatly to extend their operations, which in 1858 had already attained the value of 140 000 francs and gave to each partner an annual dividend equal to double his wages"

The following ar from M Villiauth C:-After the in urrection of June 1848 work was suspended in the Faubour, St Antoine which as we know is principally occupied by furniture makers. Some operative arm chair makers made an appeal to those who might be willing to combine with them Out of six or seven hundred composing the trade four hundred gave in their names pital being wanting, nine of the most zealou began the association with all that they possessed being a value of 369 francs in tools and 135 francs 20 centimes in money

'Their good taste honesty and punctuality having increased their business, they soon numbered 103 members They received from the State an advance of 25 000 francs, reim bursable in 14 years by way of annuity, with

interest at 37 per cent

'In 1857 the number of partners is 65 the auxiliaries average 100 All the partners vote at the election of a council of eight mem bers, and a manager whose name represents The distribution and superinten the firm dence of all the works is entrusted to foremen chosen by the manager and council is a foreman to every 20 or 25 workmen "The payment is by the piece at rates de

termined ir general assembly The earnings eleven francs to each partner 7000 being vary from 3 to 7 francs a day, according to zeal and ability The average is 50 francs [21] a fortnight, and no one gains much less than 40 frances per fortnight, while many earn Some of the carvers and moulders make as much as 100 francs, being 200 francs [8/] a month Each binds himself to work 120 hours per fortnight, equal to ten per day By the regulations, every hour short of the number subjects the delinquent to a penalty of 10 centimes [one penny] per hour up to thirty hours, and 15 centimes [1]d] beyond The object of this rule was to abolish Saint Monday, and it succeeded in its effort the last two years the conduct of the mem bers has been so good that fines have fallen into disuse

> Though the partners started with only 359 france the value of the plant (Rue dr

that it With wonderful rap dits the for less. Almost all have abandoned armined a ork; exple here learnt to this system, and after allowing to every with which are in opportion to the teretime of retries and experience At all the area intune, at first, ex cluded precentrik, and gave equal Y nees whether the neek done was more

that re Cur of Joseph Paubourg St int relaterate in 1-11 amounted to 1713 trans at 1 the assect the association, e'e' a due to them included to 21 GXI france herether the a so alim has become still were four stong hasing resis of all the at tempts mission in positive progress. It does the longest five new and is the most cona Tered, of all theil suses in Paris in the trade Its bus news mon a stot 1 O offrance a year " Its invest re in He emter 1405 stored, so corting in M. Vallaun & a balancouf 100, 13 france letter times in far our of the association of it it possessed, he sais, in reality, 125 Con Gabre

Hat t's mest important searchil not all us the of the Mar is "The Association of May na was founded Augus 40th 1849. Its altressie Reebr Victor 1 Its number of t and raish and its and brick from three to fur ton lee! Three are two managers, prefertlet a madenerment, the other for t) e peruma y adminis ratum i these are re gardel as the ablest master mas - x in Laris en laine, tert with a moderate sality. This see a stim law 'ately constructed three or f up of the min remarkable menalous in the me r filing. Though it does its work more e or mical a than erdinary contrac ura vet as it has to preside geredite it is called upon for conside at lead two excit prospers however, as is posted by the disident of Coper cont which has been paid this year on its capital, Inc odir " in the payment those who have we a mate i il emiselsenin ita opera i na Itech easts of merkinen who bring only their labour, of others who kim with eirlat curand a capital of some a rt, and of a third class who do not work but e intribute capital only

"The ma he in the evening, carry on mutual instruction. They, as nell as the arm-chair makers, give medical attendance at the expense of the ar originand an allow ance to its sick members. They extend their protection over every member in every action of his life. The nem chair makers will soon each pressess a capital of two or three thou sand france, with which to portion their danghters or commence a re erie for future vears. Of the missons, some have already 4780 tranes, which are left in the common

rtock " Pefore they were associated, the e work men were poorly clad in jackets and blouses; because for mant of forethought, and still more from want of work, they had never 60 france hefurehand to buy an overcoat. Most of them are now as well drested as shopkeepers, and sometimes more tustefully. For the work rian having always a credit with the associa tion can get whatever he wants by signing an

extract the e of the ideas they est out fone a fixed minimum, sufficient for subsistence, they apportion all further remuneration according to the work done most of them even dividing the profits at the end of the year, in the Frine proportion as the earnings *

> order; and the association reimburses itself by fortnightly stoppages, making him savens it were in spite of himself. Some workmen who are not in debt to the concern, sign orders parable to themselves at five months date to r sist the temptation of a cedless ex-pense. They are put under stoppinges of 10 france per fortnight, and thus at the end of five m inthe they have saved the amount

> The following table, taken by M Cherbulies from a work by Professor Huber (one of the most ardent and high principled apostles of this kind of co operation) shows the rapidly progressive grawth in prosperity of the Masons Association up to 1859 -

		Amount of	I'rofita
3020		business done	realized
		france	francs
15. 2		45,530	1,000
163	•	297,208	7,000
15 4		311,210	20,000
15.5		011 091	44,000
18 4		£10,210	80,000
1547		1,330,000	100,000
16.5		1,231,461	130,000

"Offlislast dividend, eags M Cherbuhez, 33,000 france were taken for the reserve fund, and the remaining 100,000, divided among the shareholders, gave to each from 500 to 1.00 frames, besides their wages of salaries, and their share in the fixed capital of the cone rn

Of the runnigement of the associations generally, M Villiaumé says, "I have been able to satisfy myself personally of the ability of the managers and councils of the opera-tive associations. The managers are far au perior in intelligence, in zeal, and even in politeness, to most of the private masters in their respective trades—thid among the as sociated workmen the fatal habit of intem perance is gradually disappearing, along with the conveness and rudeness which are the consequence of the too imperfect education of the class

* I'ven the association founded by M Louis Blane, that of the tailors of Clichy, after eighteen months trial of this system, adopted pices-work. One of the reasons fiven by them for abandoning the original system is well worth extracting. "Besides system is well worth extracting the vices I have mentioned, the tailors com plained that it caused incessant disputes and quarrels, through the interest which each had Their mu In making his neighbours work tual watchfulness degenerated into a real slavery; nobody had file free control of his time and his actions. These dissensions have disappeared since piece work, was intro ducid' - I enqueray, p 88 One of the most

It is the declared principle of most rlof these associations, that they do not exist for the mere private benefit of the andividual members, but for the promotion of the co-operative cause With every extension, therefore, of their business, they take in additional members, not (when they remain faithful to their original plan) to receive wages from them as hired labourers, but to enter at once into the full benefits of the association, without being required to bring anything in, except their labour the only condition imposed is that of re ceiving during a few years a smaller share in the annual division of profits, as some equivalent for the sacrifices of the founders When members quit the association, which they are always at liberty to do, they carry none of the capital with them it remains an indivisible property, of which the members for the time being have the use, but not the arbitrary disposal by the sti pulations of most of the contracts, even if the association breaks up, the capital cannot be divided, but must be devoted entire to some work of beneficence or of public utility A fixed, and generally a considerable, proportion of the annual profits, is not shared among the members, but added to the capital of the association, or devoted to the repayment of advances previously made another portion is set aside to provide for the mck and disabled, and another to form a fund for extending the practice of association, or aiding other associations in their need managers are paid, like other mem bers, for the time which is occupied in

discreditable indications of a low moral con dition given of late by part of the English working classes, is the opposition to piece work. When the payment per piece is not sufficiently high, that is a just ground of objection. But dislike to piece work in itself, except under mistaken notions must be dislike to justice and fairness a desire to cheat, by not giving work in proportion to pay Fiece work is the perfection of contract, and contract, in all work and in the most minute detail—the principle of so much pay for so much service, carried out to the utmost extremits—is the system of all others, in the present state of society and degree of civilization most favourable to the worker, though noct uniarourable to the non worker who wishes to be paid for being idle

management, usually at the rate of the highest paid labour but the rule is adhered to, that the exercise of power shall never be an occasion for profit

Of the ability of the associations to compete successfully with individual camialists, even at an early period of their existence, M Feugueray? said, "The associations which have been founded in the last two years" (M Feugueray wrote in 1851) "had many obstacles to overcome, the majority of them were almost entirely without capital all were treading in a path previously unexplored, they ran the risks which always threaten innovators and beginners Nevertheless, in many of the trades in which they have been established, they are already formidable competitors of the old houses, and are even complained of on that account by a part of the bourgeoisie This is not only true of the cooks, the lemonade sellers, and hardressers, trades the nature of which enables the associa tions to rely on democratic custom, but also in other trades where they have not the same advantages One has only to consult the makers of chairs, of arm-chairs, of files, and one will learn from them if the most important establishments in their respective trades are not those of the associated workmen"

The vitality of these associations must indeed be great, to have enabled about twenty of them to survive not only the anti-socialist reaction, which for the time discredited all attempts to enable workpeople to be their own employers—not only the tracasscries of the police, and the hostile policy of the government since the usurpationbut in addition to these obstacles, all the difficulties arising from the trying condition of financial and commercial affairs from 1854 to 1858 Of the pros penty attained by some of them even while passing through this difficult period, I have given examples which must be conclusive to all minds as to the brilliant future reserved for the

principle of co operation †

† In the last year or two, the co-operative movement among the French working classes has taken a fresh start. An interest

It is not in France alone that these ! associations have commenced a career of prosperity To say nothing at present of Germany, Piedmont, or Switzerland (where the Consumers' Union of Zurich is one of the most prosperous co-opera tive associations in Europe), England can produce cases of success, rivalling even those which I have cited from France Under the impulse commenced by Mr Owen, and more recently proprefited by the untings and personal efforts of a band of friends, chiefly clergymen and barristers, to whose noble exertions too much praise can scarcely be given, the good seed was widely sown, the necessary alterations in the English law of partnership were obtained from Parliament, on the benerolent and public spirited initiative of Mr Slaney, many industrial associanons, and a still greater number of co-operative stores for retail purchases, were founded. Among these are already nany instances of remarkable pros perity, the most signal of which are he Leeds Flour Mill, and the Rechdule Society of Equitable Pioneers Of this ast association, the most successful of ill, the history has been written in a ers interesting manner by Mr Holyake, and the notoriety which by

ng account of the Provision Association of Prenoble has been given in a pamphlet by a Casimir Périer, and in the Jimes of vovember 24 1864, we read the following masage: "While a certain number of ope atives stand out for more wages or fewer sours of labour, others, who have also ecoded, have associated for the purpose of arrying on their respective trades on their iwn account, and have collected funds for he purchase of instruments of labour They iavo founded a society-Societé Générale Approvisionnement et de Consommation t numbers between 360 and 400 members, the have already opened a "co operative tore at Passy, which is now within the limits f Paris They calculate that by May next ifteen new self supporting associations of the same kind will be ready to commence operations, so that the number will be, for l'aris alone, from 50 to 60

* Self Help by the People-History of Co pperation in Rochdale An instructive no-An instructive nocount of this and other co-operative associations has also been written in the Companion to the Almanack for 1862, by Mr John Plummer, of Kettering, himself one of the most inspiring examples of mental cultiva non and lugh principle in a self instructed working man

this and other means has been given to facts so encouraging, is causing a rapid extension of associations with similar objects in Lancashire, York shire, London, and elsewhere

The original capital of the Rochdale Society consisted of 281, brought to gether by the unassisted economy of about forty labourers, through the slow process of a subscription of twopence (afterwards raised to threepence) per week With this sum they established in 1844 a small shop, or store, for the supply of a few common articles for the consumption of their own fami-As their carefulness and honesty brought them an increase of customers and of subscribers, they extended their operations to a greater number of arti cles of consumption, and in a few years nere able to make a large investment in shares of a Co-operative Corn Mill Mr Holyonke thus relates the stages of their progress up to 1857

"The Equitable Proneers' Society is divided into seven departments. Grocorv, Drapory, Butchering, Shoemaking, Clogging, Tailoring, Wholesale

"A separate account is kept of each business, and a general account is given each quarter, showing the position of the whole

"The grocery business was com menced, as we have related, in De cember 1844, with only four articles to It now includes whatever a gro вell cer's shop should include

"The drapery business was started in 1847, with an humble array of at-In 1854 it was erected into tractions a separate department

"A year earlier, 1846, the Store began to sell butcher's meat, buying eighty or one hundred pounds of a tradesman in the town After a while, the sales were discontinued until 1850, when the Society had a warehouse of its own Mr John Moorhouse, who has now two assistants, buys and Lills for the Society three oxen, eight sheep, nundry porkers and calves, which are on the average converted into 130L of cash per week

"Shoemaking commenced in 1852 Three men and an apprentice make,

and a stock is kept on sale

"Clogging and tailoring commenced

elso in this year

"The wholesale department com menced in 1852, and marks an im portant development of the Pronecra' proceedings This department has been created for supplying any members requiring large quantities, and with a view to supply the co-operative stores of Lancashire and Yorkshire, whose small capitals do not enable them to buy in the best markets, nor command the services of what is otherwise indispensable to every store-a good buyer, who knows the markets and his busi ness, who knows what, how, and where The wholesale department to buy guarantees purity, quality, fair prices, standard weight and measure, but all on the never failing principle, cash pay-

In consequence of the number of members who now reside at a distance. and the difficulty of serving the great increase of customers, "Branch Stores have been opened In 1856, the first Branch was opened, in the Oldham Road, about a mile from the centre of Rochdale In 1857 the Castleton Branch, and another in the Whitworth Road, were established, and a fourth Branch in Pinfold"

The warchouse, of which the original Store was a single apartment, was taken on lease by the Society, very " Every much out of repair, in 1849 part has undergone neat refitting and modest decoration, and now wears the air of a thoroughly respectable place of business One room is now hand somely fitted up as a newsroom Another is neatly fitted up as a library

Their newsroom is as well supplied as that of a London club." It is now "free to members, and supported from the Education Fund," a fund con sisting of 24 per cent of all the profits divided, which is set apart for educa tional purposes "The Library con tains 2200 volumes of the best, and among them, many of the most expensive books published The Library From 1850 to 1855, a school for young persons was conducted at a charge of twopence per month Since 1855, a room has been granted by the

Board for the use of from twents to thirty persons, from the ages of four teen to forty, for mutual instruction on Sundays and Tuesdays

"The corn mill was of course rented, and stood at Small Bridge, some dis tance from the town-one mile and a The Society have since built in the town an entirely new mill for them selves. The engine and the machinery are of the most substantial and im The capital invested proved kind in the corn mill is 8450l, of which 37311 15s 2d is subscribed by the Equitable Pioneers' Society The coru mill employs cleven men "

At a later period they extended their operations to the staple manufacture itself From the success of the Pioneers' Society grew not only the co-operative corn mill, but a co-operative associa tion for cotton and woollen manufac-"The capital in this department is 4000l, of which sum 2042l has been subscribed by the Equitable Pioneers' Society This Manufacturing Society has ninety-six power looms at work, and employs twenty-six nien, seven women, four boys, and five girls

-in all forty two persons

"In 1853 the Store purchased for 745l a warehouse (freehold) on the opposite side of the street, where they keep and retail their stores of flour, butcher's meat, potatoes, and kindred articles Their committee-rooms and offices are fitted up in the same build ing They rent other houses adjoining for calico and hostery and shoe stores In their wilderness of rooms, the visitor stumbles upon shoemakers and tailors. at work under health; conditions, and in perfect peace of mind as to the re sult on Saturday night Their warehouses are everywhere as bountifully stocked as Noah's Ark, and cheerful customers literally crowd Tond Lane at night, swarming like bees to every counter The industrial districts of England have not such another sight as the Rochdale Co-operative Store on Saturday night * Since the disgraceful

"the brilliancy of commercial activity in which either writer or reader will take the deepest interest it is in the new and im

failure of the Rochdale Savings Bank in 1849, the Society's Store has become the virtual Savings Bank of the place.

The following table, completed to ment

1860 from the Almanack published by the Society, shows the pecuniary result of its operations from the commence ment

Year	No of members.	Amount of capital	Amount of cash sales in store (annual)	Amount of profit (annual)
1844 1845 1846 1847 1848 1849 1850 1851 1852 1854 1855 1856 1857 1858	28 74 86 110 140 390 600 630 680 720 900 1400 1600 1850 1950	£ 8 d 28 0 0 181 12 5 252 7 1½ 286 5 3½ 397 0 0 1,193 19 1 2,299 10 5 2,785 0 1½ 3,471 0 6 5,848 3 11 7,172 15 7 11,032 12 10½ 12,920 13 1½ 15,142 1 2 18,160 4	£ 8 d 710 6 5 1,146 17 7 1,924 13 10 2,276 6 5½ 6,611 18 0 13,179 17 0 17,638 4 0 16,352 5 0 22,760 0 0 33,364 0 0 44,902 12 0 63,197 10 0 79,788 0 0 71,689 0 0	## ## ## ## ## ## ## ## ## ## ## ## ##
1859 1860*	2703 3450 .	27,060 14 2 37,710 9 0	104,012 0 0 152,063 0 0	10,789 18 6 1 15,906 9 11

proved spirit animating this intercourse of Buyer and seller meet as friends, there is no overreaching on one side, and no suspicion on the other These crowds of humble working men, who never knew before when they put good food in their mouths, whose every dinner was adulterated whose shoes let in the water a month too soon, whose waistcoats shone with devil a dust, and whose wives wore called that would not wash now buy in the markets like mil honnaires, and as far as pureness of food goes, live like lords. Far better, probably, in that particular for assuredly lords are not the customers least cheated, in the preare wearing their own stuffs, making their own shoes, sewing their own garments, and grinding their own corn They buy the purest sugar and the best tea, and grand their own coffee. They slaughter their own cattle, and the finest beasts of the land waddle down the streets of Rochdale for the consumption of flannel weavers and cobblers (Last year the Somety advertised for a Provision Agent to make purchases in Ireland, and to devote When did his whole time to that duty) competition give poor men these advantages? And will any man say that the moral cha ractor of these people is not improved under these influences? The tectotaliers of Roch dale acknowledge that the Store has made more soler men since it commenced than all their efforts have been able to make in the same time. Husbands who never knew what

it was to be out of debt, and poor wives who during forty years never had sixpence uncon demned in their pockets, now possess little stores of money sufficient to build their cot tages, and to go every week into their own market with money jugling in their pockets, and in that market there is no distributed and no deception, there is no adulteration, and no second prices. The whole atmosphere is honest. Those who serve neither hurry, finesse, nor flatter They have no interest in chicanery. They have but one duty to per form—that of giving fair measure, full weight, and a pair article. In other parts of the town, where competition is the principle of trade, all the preaching in Roch dale cannot produce moral effects like these

"As the Store has made no debts, it has meured no losses, and during thirteen years' transactions, and receipts amounting to 303,8521, it has had no law suits. The Arbitrators of the Societies, during all their years of office, have never had a case to decide, and are discontented that nobody quarrels."

The latest report to which I have access is that for the quarter ending Sept 20, 1864, of which I take the following abstract from the horember number of that valuable periodical the Co-operator, conducted by Mr Henry Pitman, one of the most active and judicious apostles of the Co-operative cause. The number of members is 4580, being an increase of 132 for the three mouths:

I need not enter into similar particulars respecting the Corn Mill Society, and will merely state that in 1860 its capital is set down, on the same authority, at 26 6181 14s 6d, and the profit for that single year at 10,161/ 12s 5d For the manufacturing establishment I have no certified information later than that of Mr Holyonle, who states the capital of the concern, in 1857, to be b500l But a letter in the Rochdale Observer of May 26, 1860, editorially announced as by a person of good in formation, sais that the capital had at that time reached 50,0001 and the same letter gives highly satisfactory statements respecting other similar associations the Rossendale Industrial Company, capital 40,000l, the Walden Cooperative Company, capital 8000L, the Bacup and Wardle Commercial Company, with a capital of 40,0001, "of which more than one third is borrowed at 5 per cent, and this circumstance, during the last two years of unexampled commercial properity, has caused the rate of dividend to shareholders to rise to an almost fabulous height"

It is not necessary to enter into any details respecting the subsequent his tory of English Co operation, the less so, as it is now one of the recognised elements in the progressive movement of the age, and as such, has latterly been the subject of cluborate articles in most of our leading periodicals, the most recent, and one of the best of which, was in the Edinburgh Review

the capital or assets of the rociety is 69,530? 10x 1d, or more than last quarter by 36371 13x 7d. The cash received for sale of goods is 43 8060 0x 103d, being an increase of 22x31 12x 63d as compared with the previous three months. The profit realized is 57131 2x 73d, which after depreciating fixed stock account 1821 2x 43d, paying interest on share capital 6931 17x 6d, applying 23 percent to an educational fund, viz 1221 17x 9d, leaves a dividend to members on their purchases of 2x 4d in the pound. Non-members have received 2611 18x 4d, at 1x 8d in the pound on their purchases, leaving 3d in the pound on their purchases, leaving 3d in the pound and the pound for the society, which increases the reserve fund 1041 15x 4d. This fund now stands at 18521 7x 113d the accumulation of profits from the trade of the public with the store since September 1862, over 1 and above the 1x 6d in the pound allowed to such purchasees.

and the progre - of for October 1864 Co-operation from month to month is regularly chromeled in the "Co-opera tor" I must not, however, omit to mention the last great step in advance, in reference to the Co-operative Stores, the formation, in the North of England (and another is in course of formation in London) of a Wholesale Society, to dispense with the services of the wholesale merchant as well as of the retail dealer, and extend to the Societies the advantage which each society gives to its own members, by an agency for co-operative purchasis of foreign as well as domestic commodities direct from the producers

It is hardly possible to take any but, a hopeful view of the prospects of many kind, when in the two leading countries of the world, the obscure depths of society contain simple working med, whose integrity, good sense, solf-companned, and honourable confidence in one another, have enabled them to carry these noble experiments to the triumphant issue which the facts recorded in the preceding pages?

attest

From the progressive advance of the co-operative movement, a great in crease may be looked for even in the aggregate productiveness of industry The sources of the increase are two- fold. In the first place, the class of mere distributors, who are not producers but auxiliaries of production,! and whose mordinate numbers, far? more than the gains of capitalists, are! the cause why so great a portion of the wealth produced does not reach the producers-nill be reduced to more modest dimensions Distributors differ from produceis in this, that when producers increase, even though in any given department of industry they may be too numerous, they actually produce more but the multiplication of distri butors does not make more distribution to be done, more wealth to be distri buted, it does but divide the same work among a greater number of per sons, seldom even chenpening the pro-By limiting the distributors to the number really required for making the commodities accessible to the con

sumers—which is the direct effect of the co-operative system—a vast number of hands will be set free for production, and the capital which feeds and the guins which remunerate them will be applied to feed and remunerate producers. This great economy of the world's resources would be realized, even if co-operation stopped at as sociations for purchase and con sumption, without extending to production

The other mode in which co-opera tion tends, still more efficaciously, to increase the productiveness of labour, consists in the vast stimulus given to productive-energies, by placing the abourers, as a mass, in a relation to heir work which would make it their principle and their interest—at present it is neither—to do the utmost instead of the least possible in exchange for their remuneration. It is scarcely possible to rate too highly this material benefit, which yet is as nothing compared with the moral revolution in society that would accompany it healing of the standing foud between capital and labour, the transformation of human life, from a conflict of classes struggling for opposite interests, to a friendly rivalry in the pursuit of a good common to all, the elevation of the dignity of labour, a new sense of security and independence in labouring class, and the conversion of each human being's daily occu pation into a school of the social sympathies and the practical intelligence

Such is the noble ideal which the promoters of Co-operation should have before them But to attain, in any degree, these objects, it is indispensable that all, and not some only, of those who do the work, should be identified in interest with the prosperity of the undertaking Associations which. when they have been successful, renounce the essential principle of the system, and become joint-stock companies of a limited number of share holders, who differ from those of other companies only in being working men, associations which employ hired la bourers without any interest in the

profits (and I greeve to say that the! Manufacturing Society even of Roch dale has thus degenerated), are, no doubt, exercising a lawful right inhonestly employing the existing system of society to improve their position as individuals but it is not from them that anything needs be expected towards replacing that system by a Neither will such societies, in the long run, succeed in keeping their, ground against individual competition Individual management by the one porson principally interested, has great advantages over every description of collective management co-operation has but one thing to oppose to those advantages—the common interest of all the workers in the worl When indi vidual capitalists, as they will cer tainly do, add this to their other points of advantage, when, even if only to increase their gains, they take up the practice which these co-operative socie ties have dropped, and connect the pecuniary interest of every person in their employment with the most efficient and most economical manage ment of the concern, they are likely to gain an easy victory over societies which retain the defects, while they cannot possess the full advantages, of the old system

Under the most favourable suppose tion it will be desirable, and perhaps for a considerable length of time, that individual capitalists associating their workpeople in the profits, should coexist with even those co-operative societies which are faithful to the cooperative principle Unity of authority makes many things possible, which could not, or would not, be undertaken, subject to the chance of divided coun cils, or changes in the management A private capitalist, exempt from the control of a body, if he is a person of capacity, is considerably more likely than almost any association to run judicious risks, and originate costly Co-operative societies improvements may be depended on for adopting im provements after they have been tested by success but individuals are more likely to commence things previously untrica. Evon in ordinary business

the competition of capable persons who in the event of failure are to have all the loss, and in case of success the greater part of the gain, will be very useful in keeping the managers of cooperative societies up to the due pitch of activity and vigilance

When, however, co-operative societies shall have sufficiently multiplied, it is not probable that any but the least valuable workpeople will any longer consent to work all their lives for wages and both private capitalists and associations will gradually find it necessary to make the entire body of labourers participants in profits. Even tually, and in perhaps a less remote future than may be supposed, we may, through the co operative principle, see our way to a change in society, which would combine the freedom and independence of the individual, with the moral, intellectual, and economical advantages of aggregate production. and which, without violence or spoliation, or even any sudden disturbance of existing liabits and expectations, would realize, at least in the industrial department, the best aspirations of the democratic spirit, by putting an end to the division of society into the indus trious and the idle, and effacing all social distinctions but those fairly earned by personal services and exer-Associations like those which we have described, by the very process of their success, are a course of educa tion in those moral and active qualities by which alone success can be either deserved or attained As associations multiplied, they would tend more and more to absorb all work people, except those who have too little understanding, or too little virtue, to be capable of learning to act on any other system than that of narrow sclfishness this change proceeded, owners of capi tal would gradually find it to their advantage, instead of maintaining the struggle of the old system with work people of only the worst description, to lend their capital to the associations, to do this at a diminishing rate of in terest, and at last, perhaps, even to exchange their capital for terminable nnuities In this or some such mode

the existing accumulations of capital might honestly, and by a kind of spontaneous process, become in the end the joint property of all who participate in their productive employment a transformation which, thus effected, (and assuming of course that both sexual participate equally in the rights and in the covernment of the association) would be the nearest approach to social justice, and the most beneficial ordering of industrial affairs for the universal good, which it is possible at present to foresee.

I agree, then, with the Socialist writers in their conception of the form which industrial operations tend to assume in the advance of im provement, and I entirely share their! opinion that the time is ripe for commencing this transformation, and that' it should by all just and effectual means be aided and encouraged But while I agree and sympathere with Socialists in this practical portion of their aims, I utterly dissent from the most conspicuous and rehement part of their teaching, their declamations against With moral conceptions competition in many respects far ahead of the ex isting arrangements of society, they have in general very confused and erroneous notions of its actual working, and one of their greatest errors, as I conceive, is to charge upon competition all the economical evils which They forget that wher present exist ever competition is not, monopoly is.

In this respect also the Rochdale Society has given an example of reason and justice worthy of the good sense and good feeling manifested in their peneral proceedings. The Rochdale blore, says Mr Holyoske "renders incidental but valuable and toward: realizing the civil independence of women Women may be members of this Store, and vote in its proceedings. Single and married women join. Many married women become members because their husbands will not take the trouble, and others join in it in self defence, to prevent the husband from spending their money in drink. The hu band cannot withdraw the savings at the Store standing in the wife's name unless she signs the order. Of course as the law still stands, the husband could by legal process get possession of the money. But a process takes time, and the husband gots sober and thinks better of the first stand of the women was an order.

And that monopoly, in all its forms, is the taxation of the industrious for the support of indolence, if not of plunder They forget, too, that with the exception of competition among libourers, all other competition is for the benefit of the labourers, by cheaponing the larticles they consume, that competition even in the labour-market is a source not of low but of-high-wages, wherever the competition for labour exceeds the competition of labour, as in America, in the colonies, and in the skilled trides, and never could be a cause of low wages, save by the overstocking of the labour market through the too great numbers of the labourers' families, while, if the supply of la bourers is excessive, not even Socialism can prevent their remulieration from being low Besides, if association were universil, there would be no competi tion between labourer and labourer, and that between association and associntion would be for the benefit of the consumers, that is, of the associa tions, of the industrious classes generıllr

I do not pretend that there are no inconveniences in competition, or that the moral objections urged against it by Socialist writers, as a source of lealousy and hostility among those engaged in the same occupation, are altogether groundless But if competition has its evils, it provents greater As M Fengueray well says,* "The deepest root of the evils and ini quities which fill the industrial world, is not competition, but the subjection of labour to capital, and the enormous share which the possessors of the instruments of industry are able to take If competi from the produce tion has great power for evil, it is no less fertile of good, especially in what regards the development of the indi vidual faculties, and the success of innovations" It is the common error of Socialists to overlook the natural indolence of mankind, their tendency to be passive, to be the slaves of habit, to persist indefinitely in a course once Let them once attain any chosen :

state of existence which they consider tolerable, and the danger to be apprehended is that they will thenceforth stagnate, will not exert themselves to improve, and by letting their faculties rust, will lose even the energy required to preserve them from deterioration Competition may not be the best con corvable stimulus, but it is at present a necessary one, and no one can foresue the time when it will not be indispen sable to progress Even confining our selves to the industrial department, in which, more than in any other, the majority may be supposed to be com potent judges of improvements, it would be difficult to induce the general assembly of an association to submit to the trouble and inconvenience of alter ing their habits by adopting some new and promising invention, unless their knowledge of the existence of rival associations made them apprehend that what they would not consent to do. others would, and that they would be left behind in the race

Instead of looking upon competition as the baneful and anti social principle which it is held to be by the generality of Socialists, I conceive that, even in the present state of society and in dustry every restriction of it is an evil. and every extension of it, even if for the time injuriously affecting some class of labourers, is always an ultimate To be protected against com petition is to be protected in idleness in mental dulness, to be saved the necessity of being as active and as in telligent as other people, and if it is also to be protected against being un derbid for employment by a less highly paid class of labourers, this is only where old custom or local and partial monopoly has placed some particular class of artisans in aprivileged position; as compared with the rest, and the time has come when the interest of universal improvement is no longer promoted by prolonging the privileges If the slopsellers and others of their class have lowered the wages of tailors, and some other artisans, by making them an affair of competition instead of custom, so much the better up the end What is now required is

I not to bolster up old customs, whereby I feel, that they have the same interests. limited classes of labouring people obtain partial guns which interest them in keeping up the present organization sort for the improvement of their con-of society, but to introduce new general dition to the same rame lies, as the less practices beneficial to all, and there is fortunately circumstanced and compareason to rejoice at whatever makes the privileged classes of skilled artisans

and depend for their remuneration on the same general causes, and must reretirely helploss multitude

BOOK V.

ON THE INFLUENCE OF GOVERNMENT

CHAPTER L

OF THE FUNCTIONS OF GOVERNMENT IN GENERAL

1 One of the most disputed questions both in political science and in practical statesmanship at this par ticular period, relates to the proper limits of the functions and agency of governments. At other times it has been a subject of controversy how governments should be constituted, and according to what principles and rules they should exercise their authority, but it is now almost equally a question, to what departments of human affairs that authority should extend , when the tide sets so strongly towards changes in government and legislation, as a means of improving the condition of mankind, this discussion is more likely to increase than to diminish m On the one hand, impatient reformers, thinking it easier and shorter to get possession of the government than of the intellects and dispositions of the public, are under a constant temptation to stretch the province of government beyond due bounds while, on the other, mankind have been so much accustomed by their rulers to in terference for purposes other than the public good, or under an erroneous conception of what that good requires, and so many rash proposals are made by sincere lovers of improvement, for attempting by compulsory regulation, the attainment of objects which can only be effectually or only usefully compassed by opinion and discussion, that there has grown up a spirit of re sistance in liming to the interference of government, merely as such, and a disposition to restrict its sphere of

action within the narrowest bounds. From differences in the historical development of different nations, not necessary to be here dwelt upon, the former excess, that of exaggerating the province of government, prevails most, both in theory and in practice, among the Continental nations, while in England the contrary epirit has hitherte here predominant.

hitherto been predominant

The general principles of the question, in so far as it is a question of principle, I shall make an attempt to determine in a later chapter of this Book after first considering the effects produced by the conduct of government in the exercise of the functions univer sally acknowledged to belong to it For this purpose, there must be a specification of the functions which are either inseparable from the idea of a government, or are exercised habitually and without objection by all governments, as distinguished from those respecting which it has been considered questionable whether governments should exercise them or not. former may be termed the necessary. the latter the optional, functions of i By the term optional it government is not meant to imply, that it can ever be a matter of undifference, or of arbi trary choice, whether the government should or should not take upon itself the functions in question, but only that the expediency of its exercising them does not amount to necessit; and is a subject on which diversity of opinion does or may exist

In attempting to enumerate the necessary functions of government, i we find them to be considerably more ! multifurious than most people are at first aware of, and not capable of beincircumstribed by those very definite lines of demarcation, which, in the inconsiderateness of popular discussion, it is often attempted to draw round; We sometimes, for example, hear it said that governments ought to confine themselves to affording protection against force and fraud these two things apart people should he free agents, able to take care of themselves, and that so long as a person practises no violence or deception, to the mury of others in person or property, legislatures and governments are in no way called on to concern themselves about him But why should people be protected by their govern ment, that is, by their own collective strength, against violence and fraud, and not against other evils, except that the expediency is more obvious? nothing, but what people cannot possibly do for themselves, can be fit to be done for them by government, people might be required to protect them selves by their skill and courage even against force, or to beg or buy protection against it, as they actually do where the government is not capable of protecting them and against trand every one has the protection of his own wits But without further anticipating the discussion of principles, it is sufficient on the present occasion to consider facts

Under which of these heads, the repression of force or of fraud, are we to if place the operation, for example, of the laws of inheritance? Some such laws must exist in all societies It may be said, perhaps, that in this matter government has merely to give effect to the disposition which an individual makes of his own property by will. This, however, is at least extremely disputable, there is probably no country by whose laws the power of testa mentary disposition is perfectly abso-And suppose the very common case of there being no will does not the law that is, the government, decide [

on principles of general expediency, who shall take the succession? and in case the successor is in any manner incompetent, does it not appoint per sons, frequently officers of its own, to collect the property and apply it to his benefit? There are many other cases benefit? in which the government undertakes the administration of property, because the public interest, or perhaps only that of the particular persons concorned, is thought to require it. This 19 often done in cas a of liti-ated property, and in cases of judicially do clared insolvency It has never been contended that in dong these things, a government exceeds its province

Nor is the function of the law in defining property itself, so simple a thing as may be supposed. It may be im a gined, perhaps, that the law has on'v to declare and protect the right of every one to what he has himself produce i, or acquired by the voluntary consent, fairly obtained, of those who produced it. But is there nothing recognised as property except what has been produced? Is there not the earth itself, its forests and waters, and all other natural rubes, above and below the surface? These are the inheri tance of the human race, and there must be regulations for the common's What rights, and enjoyment of it under what conditions, a person shall be allowed to exercise over any portion of this common inheritance, cannot be left undecided No function of govern ment is less optional than the regulation of these things, or more com pletely involved in the idea of civilized Bociety

Again, the legitimacy is conceded of repressing violence or treachery, but under which of these heads are we to place the obligation imposed on people to perform their contracts? Non performance does not necessarily imply fraud, the person who entered into the contract may have sincerely intended to fulfil it and the term fraud, which can searcely admit of being extended even to the case of voluntary breach of contract when no deception was practised, is certainly not applicable when the omission to perform is a case of

r-gligenco Is it no part of the duty ! or governments to enforce contracts? Here the doctrine of non interference would no doubt be stretched a little. and it would be said, that enforcing contracts is not regulating the affairs of individuals at the pleas ire of govern ment, but giving effect to their own expressed desire l et us acquiesce in this enlargement of the restrictive theory, and take it for what it is worth But governments do not limit their concern with contracts to a simple enforcement. They take upon themselves to determine what contracts are fit to be enforced. It is not enough that one nemon, not being either cheated or compelled, makes a promise to another There are promises by which it is not or the public good that persons should rave the power of binding themselves To say nothing of engagements to do comething contrary to law, there are engage ments which the law refuses to inforce, for reasons connected with the interest of the promiser, or with the general policy of the state 1 contract by which a person sells himself to another as a slave, would be declared void by the tribunals of this and of riest other European countries. There are fen nations whose lans enforce a contract for what is looked upon as prostitution, or any matrimonial en gagement of which the conditions vary in any respect from those which the law has thought fit to presenbe when once it is admitted that there are any engagements which for reasons of expediency the law ought not to en force, the same question is necessarily opened with respect to all engage Whether, for example, the law ments should enforce a contract to labour, when the wages are too low, or the hours of work too severe whether it should enforce a contract by which a person binds himself to remain, for more than a very limited period, in the service of a given individual whether a contract of marriage, entered into for life, should continue to be enforced against the deliberate will of the persons, or of either of the persons, who entered into it Tvory question which can possibly arise as to the policy of | that if a dispute does arise, evidence

PE.

contracts, and of the relations which they establish among human beings, is a question for the legislator, and one which he cannot escape from considering, and in some way or other deciding

Again, the prevention and suppression of force and fraud afford appropriate employment for soldiers, police men, and criminal judges, but there are also civil tribunals. The punish ment of wrong is one business of an administration of justice, but the de cision of disputes is another merable disputes arise between per sons, without mala fides on either side, through misconception of their legal rights, or from not being agreed about the facts, on the proof of which those rights are legally dependent. not for the general interest that the State should appoint persons to clear up these uncertainties and terminate these disputes? It cannot be said to be a case of absolute necessity. People might appoint an arbitrator, and en grge to submit to his decision, and they do so where there are no courts of justice, or where the courts are not trusted, or where their delays and expenses, or the irrationality of their rules of evidence, deter people from resorting to them Still, it is uni versally thought right that the State should establish civil tribunals, and if their defects often drive people to have recourse to substitutes, even then the power held in reserve of carrying the case before a legally constituted court, gives to the substitutes their principal efficacy

Not only does the State undertake to decide disputes, it takes precautions beforehand that disputes may not arise The laws of most countries lay down rules for determining many things, not because it is of much consequence in what way they are determined, but in order that they may be determined somehow, and there may be no ques tion on the subject. The law presurbes forms of words for many kinds of contract, in order that no dispute or misunderstanding may arise about it makes provision their meaning

shall be procurable for deciling it, by requiring that the accument la at tested by witnesses and executed The lay with certain for califies preserves authentic cycle ice of fade to which legal consequences are at tached, by keeping a registry of ruch facts, as of births, deaths, and mar name, of valls and centracts, and of Indicial proceedings. In doing the c things, it has never been alleged that government oversteps the proper limits

of its functions Again, however wife a scope we may allow to the doctrine that individuals are the proper guardians of their own interests, and that govern ment oves nothing to them but to save them from being interfered with by other people, the doctrine can nevebe applicable to any persons but those who are empible of acting in their own The individual may be an behalf infant, er a limatic, or fallen into imbecility The law surely must look after the interests of such persons. It does not necessarily do this through It often desolves officers of its own the trust upon some relative or But in doing so is its connexion duty ended? Can it make over the interests of one person to the control of another, and be excused from super vision, or from holding the percon thus trusted, responsible for the dis charge of the trust?

There is a multitude of cases in which governments, with general approbation assume powers and execute functions for which no reason can be assigned except the simple one, that they conduce to general convenience We may take as an example, the function (which is a monopoly too) of coming money This is assumed for no more recondite purpose than that of saving to individuals the trouble, delay, and expense of weighing and assaying. No one, however, even of those most jealous of state interference, has objected to this as an improper exercise of the powers of government Prescribing a set of standard weights and measures is another instance Paving, lighting,

roughfares, is another, whether done by the general government, or, as is more usual and go ralls me s ad visible, by a manacipal authority Making or volument harmones, but ing lighthy is, making sirregs in order to have accepte nines and chuts, rusinedsk a to be p the r al out, and e fourments to kiepment

m, are can a m f ant Propply to It be freedingles und tipled without introduct on a is disput d group ! Hat er ough has been earl to them that the admired fanc tions of Loremittent embraces a much wider field than can excit be included enthin the ring force of any restrictive definition, and that it is listly per sible to find any pround of justificat or co mon to them all, except the com prohensive on of general expeliency, ner to limit the interference of government be any universal rule, rave the sumple and rame one that it she ild never be admitted but when the care of expediency is rirong

§ 3 Some observations, however, was be usefully bestowed on the nature of the court locations on which the question of government reterierence is most likely to turn, and on the mode of estimating the comparitive magnitude of the expediences in volved. This will form the last of the three parts into which our discussion of the principles and effects of government interference may The following remently be divided will be our division of the subject

We shall first consider the economucal effects arising from the mannet in which governments perform their necessary and acknowledged

We shall then pass to certain go vernmental interferences of what I have termed the optional lind (i.e. overstepping the boundaries of the universally acknowledged functions) which have heretofore tal en place, and in some cases still take place under the influence of falls general theories

It will lastly remain to inquire and cleansing the streets and the whether, independently of any false

theory, and consistently with a correct view of the laws which regulate human aflairs, there be any cases of the optional class in which governmental interference is really advisable, and

what are those cases

The first of these divisions is of an extremely miscellaneous character since the necessary functions of government, and those which are so manifestly expedient that they have never or very rarely been objected to, are, as already pointed out, too various to be brought under any very simple classification. Those, however, which are of principal importance, which alone it is necessary here.

to consider, may be reduced to the following general heads

First, the means adopted by govern ments to raise the revenue which is the

Secondly, the nature of the laws C which they prescribe on the two great subjects of Property and Contracts

Thirdly, the excellences or defects of the system of means by which they enforce generally the execution of their laws, namely, their judicature and police

We commonce with the first head, that is, with the theory of Taxa

CHAPTER II.

ON THE GENERAL PRINCIPLES OF TAXATION

§ 1 The qualities desirable, economically speaking, in a system of taxation, have been embodied by Adam Smith in four maxims or principles, which, having been generally concurred in by subsequent writers, may be said to have become classical, and this chapter cannot be better commenced than by quoting them *

"I The subjects of every state ought to contribute to the support of the government, as nearly as possible in proportion to their respective abilities that is, in proportion to the revenue which they respectively enjoy under the protection of the state. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation.

"2 The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person. Where it is otherwise, every person subject to the tax is put more or less in the power of

* Wealth of Nations book v ch ii.

the taygatherer, who can either aggra vate the tal upon any obnoxious con tributor, or extort by the terror of such aggravation, some present or perquisite to himself. The uncertainty of taxation encourages the insolence and favours the corruption of an order of men who are naturally unpopular, even when they are neither insolent The certainty of what ' nor corrupt each individual ought to pay is, in taxation, a matter of so great impor tance, that a very considerable degree of mequality, it appears, I believe, from the experience of all nations, is not near so great an evil, as a very small degree of uncertainty

"3 Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it. A tax upon the rent of land or of houses, payable at the same term at which such rents are usually paid, is levied at a time when it is most lilely to be convenient for the contributor to pay, or when he is most likely to have wherewithal to pay. Taxes upon such consumable goods as are articles of luxury, are ali

II 2

tinally paid by the consumer, and generally in a manner that is very convenient to him. He pays them by little and little, as he has occasion to buy the goods. As he is at liberty, too, either to buy or not to buy, as he pleases, it must be his own fault if he ever suffers any considerable inconvenience from such taxes.

"4 Every tax ought to be so con trived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state A tax may either take out or keep out of the pockets of the people a great deal more than it brings into the public treasury, in the four follow-First, the levying of it ing ways may require a great number of officers, whose salaries may eat up the greater part of the produce of the tax, and whose perquisites may impose another additional tax upon the people " Se condly, it may divert a portion of the labour and capital of the community from a more to a less productive em ployment "Thirdly, by the forfeitures and other penalties which those unfortunate individuals incur who attempt unsuccessfully to evade the tax, it may frequently ruin them, and thereby put an end to the benefit which the community might have derived from the emplorment of their capitals injudicious tax offers a great temptation to smuggling Lourthly, by subjecting the people to the frequent visits and the odious examination of the taxgath rers, it may expose them to much unnecessary trouble, vexation, and op-pression " to which may be added, that the restrictive regulations to which trades and manufactures are often subjected to prevent evasion of a tax, are not only in themselves trouble some and expensive, but often oppose insuperable obstacles to making im provements in the processes

The last three of these four maxims require little other explanation or illustration than is contained in the passage itself. How far any given tax conforms to, or conflicts with them, is a matter to be considered in the discussion of particular taxes. But the

first of the four points, equality of tax ation, requires to be more fully examined, being a thing often imperfectly understood, and on which many false notions have become to a certain de gree accredited, through the absence of any definite principles of judgment in the popular mind

§ 2 For what reason ought equality to be the rule in matters of taxation? For the reason, that it ought to be so in all affairs of government. government ought to make no dis-, function of persons or classes in the strength of their claims on it, whatever sacrifices it requires from them should be made to bear as nearly as possible with the same pressure upon all, which, it must be observed, is the mode by which least sacrifice is occa sioned on the whole. If any one bears less than his fair share of the burthen, some other person must suffer more than his share, and the alleviation to the one is not, on the average, so great a good to him, as the increased pressure upon the other is an evil; Equality of taxation, therefore, as a maxim of politics, means equality of It means apportioning the sacrifice contribution of each person towards the expenses of government, so that he shall feel neither more nor less inconvenience from his share of the payment than every other person experiences from his This standard, like other standards of perfection, cannot be completely realized, but the first object in every practical discus sion should be to know what perfection

There are persons, however, who are not content with the general principles of justice as a basis to ground a rule of finance upon but must have something, as they think, more specifically appropriate to the subject. What best pleases them is, to regard the taxes paid by each member of the community as an equivalent for value received, in the shape of service to himself, and they prefer to rest the justice of making each contribute in proportion to his means, upon the ground, that he who has twice as much property to be pro-

tected, receives, on an accurate calculation, twice as much protection, and ought, on the principles of bargain and sale, to pay twice as much for it Since, however, the assumption that government exists solely for the protection of property, is not one to be deliberately adhered to, some consistent adherents of the quid pro quo principle go on to observe, that protection being required for person as well as property, and everybody's person receiving the same amount of protection, a poll tax of a fixed sum per head is a proper equivalent for this part of the benefits of government, while the remaining part, protection to property, should be paid for in proportion to property There is in this adjustment a false air of nice adaptation, very acceptable to But in the first place, it some minds is not admissible that the protection of persons and that of property are the sole purposes of government ends of government are as comprehensive as those of the social union. They consist of all the good, and all the immunity from evil, which the existence of government can be made either directly or indirectly to bestow the second place, the practice of setting definite values on things escentially indefinite, and making them a ground of practical conclusions, is peculiarly fertile in false views of social questions It cannot be admitted, that to be protected in the ownership of ten times as much property, is to be ten times as Neither can it be much protected. truly said that the protection of 1000l a year costs the State ten times as much as that of 100l a year, rather than twice as much, or exactly as The same judges, soldiers, sailors, who protect the one protect the other, and the larger income does not necessarily, though it may sometimes, require even more policemen Whether the labour and expense of the protection, or the feelings of the protected person, or any other definite thing be made the standard, there is no such proportion as the one supposed, nor If we any other definable proportion wanted to estimate the degrees of benefit which different persons derive larger and on this is grounded the

from the protection of government, we should have to consider who would suffer most if that protection were withdrawn to which question if any answer could be made, it must be, that those would suffer most who were weakest in mind or body, either by nature or by position Indeed, such persons would almost miallibly be If there were any justice, therefore, in the theory of justice now under consideration, those who are least capable of helping or defending themselves, being those to whom the protection of government is the most indispensable, ought to pay the greatest, share of its price the reverse of the true idea of distributive justice, which, consists not in imitating but in redressing the inequalities and wrongs of nature

Government must be regarded as so pre emmently a concern of all, that to determine who are most interested in it is of no real importance. If a person or class of persons receive so small a share of the benefit as makes it necessary to raise the question, there is something else than taxation which is amiss, and the thing to be done is to remedy the defect, instead of recognising it and making it a ground for de manding less taxes As, in a case of voluntary subscription for a purpose in which all are interested, all are thought to have done their part fairly when each has contributed according to his means, that is, has made in equal sacrifice for the common object, in like manner should this be the prin ciple of compulsory contributions and it is superfluous to look for a more in gemous or recondite ground to rest the principle upon

Setting out, then, from the maxim that equal sacrifices ought to be demanded from all, we have next to inquire whether this is in fact done, by making each contribute the same per centage on his pecuniary means Many persons maintain the negative, saying that a tenth part taken from a small income is a heavier burthen than the same fraction deducted from one much

rery popular scheme of what is called a graduated property tax, viz an intome lax in which the percentage rises with the amount of the income

On the best consideration I am able to give to this question, it appears to me that the portion of truth which the Moctrine contains, ariser principally from the difference between a tax which can be saved from luxures, and one which trenches, in over so small a de gree, upon the necessaries of life take a thousand a year from the pos sessor of ten thousand, would not de prive him of anything really conducive either to the support or to the comfort of existence, and if such would be the effect of taking five pounds from one whose income is fifty, the sacrifice re quired from the last is not only greater than, but entirely incommensurable with, that imposed upon the first. The mode of adjusting these megnalities of pressure which seems to be the most equitable, is that recommended by Bentham, of leaving a certain minimum of income, sufficient to provide the necessaries of life, untaxed pose 501 a year to be sufficient to provide the number of persons ordinarily supported from a single income, with the requisites of life and health, and with protection against liabitual bodily suffering, but not with any indulgence This then should be made the mini mum, and incomes exceeding it should pay taxes not upon their whole amount, but upon the surplus If the tax be ten per cent, an income of 601 should be considered as a net income of 101, and charged with 11 a year, while an income of 1000l should be charged as one of 950? Fach would then pay a fixed proportion, not of his whole means, but of his superfluities * incene not exceeding 501 should not be taxed at all, either directly or by taxes on necessaries, for as by suppositi n this is the smallest income which Infour ought to be able to command, il e fore ment ought not to be a party

This principle of a serment has been partially adorted by Mr Glad tone at the last tree-al of the income tax Frim 1001, at which the tax begins, up to 2004, the income tally pays tax on the excess alore to:

to making it smaller This arrangement however would constitute a reason, in addition to others which might be stated, for maintaining taxes on articles of luxury consumed by the The immunity extended to the income required for necessaries, should depend on its being actually expended for that purpose, and the poor who, not having more than enough for necessaries, divert any part of it to indul gences, should like other people con tribute their quota out of those indulgences to the expenses of the state

The exemption in favour of the smaller incomes should not, I think, be stretched further than to the amount of income needful for life, health, and immunity from bodily pain If 50l a year is sufficient (which may be doubted) for these purposes, an income of 100% a year would, as it seems to me, obtain all the relief it is entitled to, compared with one of 1000l, by being taxed only on 50l of its amount It may be said, indeed, that to take 1001 from 1000l (even giving back five pounds) is a heavier impost than 1000l taken from 10,000l (giving back the same five pounds) But this doctrine seems to me too disputable altogether, and even if true at all, not true to a sufficient extent, to be made the foundation of any rule of taxation. Whether the person with 10,000l a year cares less for 1000l than the person with only 1000l a year cares for 100l, and if so, how much less, does not appear to me capable of being decided with the degree of cortainty on which a legislator or a financier ought to net

Some indeed contend that the rule of proportional taxation bears harder upon the moderate than upon the large incomes, because the same proportional payment has more tendency in the former case than in the latter, to reduce the payer to a lower grade of social rank. The fact appears to mo more than questionable. But even admitting it, I object to its being considered incumbent on government to shape its course by such considerationa or to recognise the notion that social

importance is or can be determined by I amount of expenditure Government sught to set an example of rating all things at their true value, and riches, therefore, at the worth, for comfort or pleasure, of the things which they will buy and ought not to sanction the vulgarity of prizing them for the pitiful vanity of being known to possess them, or the paltry shame of being suspected to be without them, the presiding motives of three-fourths of the expenditure of the middle classes The sacrifices of real comfort or indulgence which government requires, it is bound to apportion among all persons with as much equality as possible, but their sacrifices of the imaginary dignity dependent on expense, it may spare itself

the trouble of estimating

Both in England and on the Conti nent a graduated property tax has been advocated, on the avowed ground that the state should use the instrument of taxation as a means of mitigating the inequalities of wealth tem as desirons as any one, that means should be taken to diminish these inequalities, but not so as to relieve the produgal at the expense of the prudent To tax the larger incomes at a higher percentage than the smaller, is to lay a tax on industry and economy, to impose a penalty on people for having worked harder and saved more than their neighbours. It is not the for-tunes which are earned, but those which are unearned, that it is for the public good to place under limitation A just and wise legislation would ab stain from holding out motives for dissipating rather than saving the carnings of honest exertion Its im-d partiality between competitors would consist in endeavouring that they should all start fair, and not in hanging a weight upon the swift to dimi nish the distance between them and Many, indeed, fail with the slow greater efforts than those with which others succeed, not from difference of ments, but difference of opportunities, but if all were done which it would be in the power of a good government to do, by instruction and by legislation, to diminish this inequality of oppor-

tunities, the differences of fortune arising from people's own earnings could not justly give umbrage spect to the large fortunes acquired by gift or inheritance, the power of be queathing is one of those privileges of property which are fit subjects for regulation on grounds of general ex pediency, and I have already suggested,* as a possible mode of re straining the accumulation of large fortunes in the hands of those who have not earned them by exertion, a hmitation of the amount which any one person should be permitted to acquire by gift, bequest, or inheritance Apart from this, and from the proposal of Bentham (also discussed in a former chapter) that collateral inheritance in case of intestacy should cease, and the property escheat to the state, I con ceive that inheritances and legacies, exceeding a cortain amount, are highly proper subjects for taxation and that the revenue from them should be as great as it can be made without giving rise to evasions, by donation during life or concealment of property, such as it would be impossible adequately The principle of graduation to check. (as it is called,) that is, of levying a larger percentage on a larger sum, though its application to general taxa tion would be in my opinion objection able, seems to me both just and ex pudient as applied to legacy and in heritance duties

The objection to a graduated proporty tax applies in all aggrivated degree to the proposition of an exclu property," that is, property not form ing a part of any capital engaged in business, or rather in business under the superintendence of the owner land, the public funds, money lent on mortgage, and shares (I presume) in joint-stock companies Except the proposal of applying a sponge to the national debt, no such palpable viola tion of common honesty has found sufficient support in this country, during the present generation, to be regarded as within the domain of discussion It has not the palhation of

* Supra book ii ch 11.

a graduated property-tax, that of lay ing the burthen on those best able to bear it, for "realized property" in cludes the far larger portion of the provision made for those who are un able to work, and consists, in great part, of extremely small fractions can hardly conceive a more shameless pretension than that the major part of the property of the country, that of merchants, manufacturers, farmers, and shopkeepers, should be exempted from its share of taxation, that these classes should only begin to pay their propor tion after retiring from business, and if they never retire should be excused from it altogether But even this does not give an adequate idea of the in justice of the proposition The burthen thus exclusively thrown on the owners of the smaller portion of the wealth of the community, would not even be a burthen on that class of persons in perpetual succession, but would fall exclusively on those who happened to compose it when the tax was laid on As land and those particular securities would thenceforth yield a smaller net income, relatively to the general interest of capital and to the profits of trade, the balance would rectify itself by a permanent depreciation of those kinds of property Future buyers would acquire land and securities at a reduction of price, equivalent to the peculiar tax, which tax they would, therefore, escape from paying, while the original possessors would remain burthened with it even after parting with the property, since they would have sold their land or securities at a loss of value equivalent to the fee simple of the tax Its imposition would thus be tantamount to the con fiscation for public uses of a percentage of their property, equal to the percentage laid on their income by the tax That such a proposition should find any favour, is a striling instance of the want of conscience in matters of taxation, resulting from the absence of any fixed principles in the public mind, and of any indication of a sense of justice on the subject in the general conduct of governments Should the scheme ever enlist a large party in its | the payments

support, the fact would indicate a laxity of pecuniary integrity in national affairs, scarcely inferior to American repudiation

Whether the profits of trade may not rightfully be taxed at a lower rate than incomes derived from inte rest or rent, is part of the more com prehensive question, so often mooted on the occasion of the present income tax, whether life meomes should be subjected to the same rate of taxation as perpetual incomes whether sala nes, for example, or annuties, or the gains of professions, should pay the same percentage as the income from

inheritable property

The existing tax treats all kinds of incomes exactly alike, taking its seven pence (now sixpence) in the pound as well from the person whose income dies with him, as from the landholder, stockholder, or mortgagee, who can transmit his fortune undiminished to his descendants This is a visible in justice yet it does not arithmetically violate the rule that taxation ought to be in proportion to means When it is said that a temporary income ought to be taxed less than a permanent one, the reply is irresistible, that it is taxed less, for the income which lasts only ten years pays the tax only ten years, while that which lasts for ever pays for ever On this point some financial reformers are guilty of a great fallacy They contend that incomes ought to be assessed to the income tax not in proportion to their annual amount, but to their capitalized value that, for? example, if the value of a perpetual annuity of 1001 is 30001, and a life annuity of the same amount being worth only half the number of years purchase could only be sold for 15001, the perpetual income should pay twice as much per cent income-tax as the terminable income, if the one pays 10l a year, the other should pay only But in this argument there is the obvious oversight, that it values the incomes by one standard and the payments by another, it capitalizes the incomes, but forgets to capitalize An annuity worth

30007 ought, it is alleged, to be taxed twice as highly as one which is only worth 1500l., and no assertion can be more unquestionable, but it is forgotten that the income worth 3000l pays to the supposed income tax 101 a year in perpetuity, which is equiva lent, by supposition, to 300l, while the terminable income pays the same 101 only during the life of its owner, which on the same calculation is a value of 150l , and could actually be bought for Already, therefore, the in come which is only half as valuable, pays only half as much to the tax, and if in addition to this its annual quota were reduced from 10l to 5l, it would pay, not half, but a fourth part only of the payment demanded from the per-To make it just that petual income the one income should pay only half as much per annum as the other, it would be necessary that it should pay that half for the same period, that is, in perpetuity

The rule of payment which this school of financial reformers contend for, would be very proper if the tax were only to be levied once, to meet some national emergency principle of requiring from all payers an equal sacrifice, every person who had anything belonging to him, ie versioners included, would be called on for a payment proportioned to the present value of his property I wonder it does not occur to the reformers in question, that precisely be cause this principle of assessment would be just in the case of a payment made once for all, it cannot possibly be just for a permanent tax When each pays only once, one person pays no oftener than another, and the proportion which would be just in that case, cannot also be just if one person has to make the payment only once, and the other several times however, is the type of the case which The permanent in actually occurs comes pay the tax as much oftener than the temporary ones, as a per petuity exceeds the certain or un certain length of time which forms the duration of the income for life or Years

All attempts to establish a claim in favour of terminable incomes on nu merical grounds—to make out, in short, that a proportional tax is not a proportional tax—are manifestly absurd. The claim does not rest on grounds of arithmetic, but of human wants and feelings. It is not because the temporary annuitant has smaller means, but because he has greater necessities, that he ought to be assessed at a lower rate.

In spite of the nominal equality of income, A, an annuitant of 1000l. a year, cannot so well afford to pay 1001 out of it, as B who derives the same annual sum from heritable property, A having usually a demand on his income which B has not, namely, to provide by saving for children or others, to which, in the case of salaries or professional gains, must generally be added a provision for his own later years, while B may expend his whole income without injury to his old age, and still have it all to bestow on others after his death A, in order to meet these exigencies, must lay by 300l of his income, to take 100l from him as income tax is to take 100l from 700l, since it must be retrenched from that part only of his means which he can afford to spend on his own consumption Were he to throw it rateably on what he spends and on what he saves, abating 70l from his consumption and 30l from his annual saving, then indeed his immediate sacrifice would be proportionally the same as B's but then his children or his old age would be worse provided for in consequence of The capital sum which the tax. would be accumulated for them would be one-tenth less, and on the reduced income afforded by this reduced capital, they would be a second time charged with income tax, while B's heirs would only be charged once

The principle, therefore, of equality of taxation, interpreted in its only just sense, equality of sacrifice, re quires that a person who has no means of providing for old age, or for those in whom he is interested, except by saving from income, should have the

suplied to that purpage

If, indeed, reliance could be place ! on the consenue of the contribute . or sufficient eccurity take i for the cer rectness of their statements by cell teral precautions, the proper made of petition I meet the newest for account on a come tax would be to ferring and the for ager link tax only the part of in an devoted to ! expenditure, exempting that which is saved. For view cave land invited (and all savings, speaking generally, are invested) it thereeferth pain in come tax on the intenst or troff which it brings, rotaithstanding that it has already been taxed on the principal Unless, thin for, is might in exempted from meanertax, the contributors are twice taxed on what they save, and only once or what this spend. A percon who spends all he nceives, pass 7d in the pound, or ray three per cent, to the tax, and no more, but if he saves part of the year a income and buys stock, then in which diminishes the interest in the same ratio, he pays three par cent annually on the in crest itself, which is equivalent to an immediate payment of a second these per cent on the principal. So that while unproductive expenditure pave only three per cent, savings pay six per cent, or more correctly, three per cent on the whole, and another three percent on the remaining ninety seven. The difference thus created to the disad vantage of prudence and economy, 15 not only impolitic but unjust. To tax the sum invested, and afterwards tax also the proceeds of the investment is to tax the same portion of the con tributor's means twice over principal and the interest cannot both together form part of his resources, they are the same portion twice counted if he has the interest. it is because he abstains from using the principal, if he spends the prin cipal, he does not receive the in terest Yet because he can do either of the two, he is taxed as if he could do both, and could have the

tax remitted on all that part is his both of it is it ester as I the of the income which is really and bond file to dies, e not went a will can as wher

It has to any the an only few of exempting rises for taxon on the il lan or litter to the eleteration If al internence, to network come in lare ting that the low of the faith this national coup for in order of taxes ering at his negriced in fer n the experience at an error the full tax as or n he the ree invested, the exemption for a paper at at the entine eta in an ence nem to prevent them from poor eart ice, while or very epert is big fritie eenemptin passed by pro- It be bon faither Westerfitt to on the mit I can the m attetion recessing of profice of on the traine er extra ce of the stored in the the expense of the poer Innexer, that it is listored on them only in proportion as they ablicate the personal nee of their addition to the three percent which riches, in , tope from as the albert he has paid on the principal, and their are refrom the supply of their own manife, to a prod five invest ment, through all b, instead of ly ng con umed by their s lace, it is dictributed in wager am n. 11 poor 1º this his favouring the rich, I should like to have it pointed: out, what mode of new coing thration can de erro the name of favouring, the poor

No income tax in really just, from which ensure not exempted, and no me me tax out ht to be roted without that provision, if the form of the returns, and the nature of the evid nec required, could be re arranged as to prevent the exemption from being tiken fraudulent advantage of, by saving with one hand and getting into debt with the other, or by spend ing in the following year what hal been passed tax free us caving in the year preceding. If this difficulty could be surmounted, the difficulties and complexities arising from the comparative claims of temporary and per manent meomes, would disappear, for since temporary incomes have no just claim to lighter taxation than per

manent incomes, except in so far as their possessors are more called upon to save, the exemption of what they do save would fully satisfy the claim But if no plan can be devised for the exemption of actual savings, sufficiently free from liability to fraud, it is necessary, as the next thing in point of justice, to take into account in assessing the tax, what the different classes of contributors ought to save And there would probably be no other mode of doing this than the rough expedient of two different rates of There would be great assessment difficulty in taking into account dif forences of duration between one termunable income and another, and in the most frequent case, that of incomes dependent on life, differences of age and health would constitute such extreme diversity as it would be impossible to take proper cognizance of. It would probably be necessary to be content with one uniform rate for all incomes of inheritance, and another uniform rate for all those which necessarily terminate with the life of the individual In fixing the proportion be tween the two rates, there must inevitably be something arbitrary, perhaps a deduction of one fourth in favour of life-incomes would be as little objectionable as any which could be made, it being thus assumed that one fourth of a life meome 18, on the average of all ages and states of health, a suitable proportion to be laid by as a provision for successors and for old age *

* Mr Hubbard, the first person who, as a practical legislator, has attempted the rectification of the income tax on principles of unimpeachable justice, and whose well concelved plan wants little of being as near an approximation to a just assessment as it is likely that means could be found of carrying into practical effect, proposes a deduction not of a fourth but of a third, in fayour of industrial and professional incomes Hefixes on this ratio on the ground that, indepen dently of all consideration as to what the industrial and professional classes ought to tave, the attainable evidence goes to prove that a third of their incomes is what on an average they do save, over and above the "The proportion saved by other classes savings (Mr Hubbard observes) "effected out of incomes derived from invested property are estimated at one-tenth.

Of the net profits of persons in business, a part, as before observed, may be considered as interest on capital, and of a perpetual character, and the remaining part as remune ration for the skill and labour of superintendence. The surplus beyond interest depends on the life of the in

swings effected out of industrial incomes are estimated at four tenths. The amounts which would be assessed under these two classes being nearly equal, the adjustment is simplified by striking off one tenth on either side, and then reducing by three tenths or one third, the assessable amount of industrial incomes. Proposed Report (p. xiv of the Report and Evidence of the Committee of 1861.) In such an estimate there must be a large element of conjecture, but in so far as it can be substantiated, it affords a valid ground for the practical conclusion which

Mr Hubbard founds on it.

Several writers on the subject, including Mr Mill in his Elements of Political Leonomy, and Mr M'Culloch in his work. on Taxation, have contended that as much should be deducted as would be sufficient to insure the possessor's life for a sum which would give to his successors for ever an in come equal to what he reserves for himself since this is who the possessor of heritable property can do without eaving at all in other words that temporary incomes should be converted into perpetual incomes of equal present value, and taxed as such If the owners of life incomes actually did save this large proportion of their income, or even a exemption from taxation on the whole amount, since, if practical means could be found of doing it, I would exempt savings altogether But I cannot adult that they have a claim to exemption on the general assumption of their being obliged to save this amount. Owners of life incomes are not bound to forego the enjoyment of them for the sake of leaving to a perpetual line of successors an independent provision equal to their own temporary one, and no one ever dreams of doing so Least of all is it to be required or expected from those whose incomes are the fruits of personal exertion, that they should leave to their posterity for ever, without any necessity for exertion the same incomes which they allow to them All they are bound to do, even for their children, is to place them in circum stances in which they will have favourable chances of carning their own living give however, either to children or to others, by bequest, being a legitimate inclination, which these persons cannot indulge without laying by a part of their income, while the owners of heritable property can this real inequality in cases where the incomes them selves are equal, should be considered, to a reasonable degree, in the adjustment of taxa tion, so as to require from both, as nearly as practicable an equal sterifice

dividual, and even on his continuance in business, and is entitled to the full amount of exemption allowed to terminable incomes It has also, I conceive, a just claim to a further amount of exemption in consideration of its precarrousness. An income which some not unusual vicissitude may reduce to nothing, or even convert into a loss, is not the same thing to the feelings of the possessor as a permanent income of 1000l a year, even though on an average of years it may If life incomes rield 1000l a year were assessed at three-fourths of their lamount, the profits of business, after deducting interest on capital, should not only be assessed at three fourths. but should pay, on that assessment, a loner rate Or perhaps the claims of justice in this respect might be suffi ciently met by allowing the deduction of a fourth on the entire income, interest included

These are the chief cases, of ordi nary occurrence, in which any difficulty anse in interpreting the maxim of The proper sense equality of taxation to be put upon it, as we have seen in the preceding example, is, that people should be taxed, not in proportion to who takes have, but to what they can afford to epond. It is no objection to this principle that we cannot apply it ! consistently to all cases A person with a life income and precamous health, or who has many persons de Is nd ng on his exertions, must, if he wishes to provide for them after his death, be more rigidly economical than on- who has a life income of equal amount, with a strong constitution, and few claims upon him, and if it be conced d that taxation cannot accomru late is If to these distinctions, it is argued that there is no use in attending to any di finctions, where the absolute anim nt of income is the same But the difficulty of doing perfect justice, is no reason against doing as much as ve can Though it may be a b plobup to an annutant whose life is orly - orth his years furchase, to be allored regreater abarrent than is grund to one these life is worth in my, it is better for him even so,

than if neither of them were allowed any abatement at all

§ 5 Before leaving the subject of Equality of Taxation, I must remark that there are cases in which exceptions may be made to it, consistently with that equal justice which is the ground Suppose that there work of the rule is a kind of income which constantly tends to increase, without any exer tion or sacrifice on the part of the owners those owners constituting a class in the community, whom the natural course of things progressively enriches, consistently with complete In such passiveness on their own part a case it would be no violation of the principles on which private property is grounded, if the state should appropriate this increase of wealth, or part This would not of it, as it arises properly be taking anything from any body, it would merely be applying an accession of wealth, created by circum stances, to the benefit of society. in stead of allowing it to become an un carned appendage to the riches of a particular class

Now this is actually the case with The ordinary progress of society which increases in wealth, is at all times tending to augment the incomes of landlords, to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves They grow richer, as it were in their sleep, without working, risking, or economizing What claim have they, on the general principle of social justice, to this accession of riches? In what would they have been wronged if society had, from the beginning, reserved the right of taxing the spon taneous increase of rent, to the highest amount required by financial exigen cies? I admit that it would be unjust to come upon each individual estate, and lay hold of the increase which might be found to have taken place in its rental, because there would be no means of distinguishing in individual cases, between an increase owing solely to the general circumstances of

society, and one which was the effect of skill and expenditure on the part of the proprietor The only admissible mode of proceeding would be by a general measure. The first step should be a valuation of all the land in the country The present value of all land should be exempt from the tax, but after an interval had elapsed, during which society had increased in population and capital, a rough estimate might be made of the spon taneous increase which had accrued to rent since the valuation was made Of this the average price of produce would be some criterion if that had risen, it would be certain that rent had increased, and (as already shown) even in a greater ratio than the rise of On this and other data, an approximate estimate might be made, how much value had been added to the land of the country by natural causes, and in laying on a general land tax, which for fear of miscalcu lation should be considerably within the amount thus indicated, there would be an assurance of not touching any increase of income which might be the result of capital expended or industry exerted by the proprietor

But though there could be no ques tion as to the justice of taxing the in crease of rent, if society had avowedly reserved the right, has not society waved that right by not exercising it? In England, for example, have not all who bought land for the last century or more, given value not only for the existing income, but for the prospects of increase, under an implied assurance of being only taxed in the same proportion with other incomes? objection, in so far as valid, has a different degree of validity in different countries, depending on the degree of desuctude into which society has al lowed a right to fall, which, as no one can doubt, it once fully possessed most countries of Europe, the right to take by taxation, as exigency might require, an indefinite portion of the rent of land, has never been allowed to In several parts of the Con tment the land tax forms a large pro portion of the public revenues, and has |

always been confessedly hable to be raised or lowered without reference to other taxes In these countries no one can pretend to have become the owner of land on the faith of never being called upon to pay an increased land tax. In England the land tax has not varied since the early part of the last century The last act of the legislature in relation to its amount, was to diminish it and though the subsequent increase in the rental of the country has been immense, not only from agriculture, but from the growth of towns and the morease of buildings, the ascendancy of landholders in the legislature has prevented any tax from being imposed, as it so justly might, upon the very large portion of this in crease which was unearned, and, as it were, accidental For the expectations thus raised, it appears to me that an amply sufficient allowance is made, if the whole increase of income which has accrued during this long period from a more natural law, without exertion or sacrifice, is held sacred from any pe-From the precent culiar taxation date, or any subsequent time at which the legislature may think fit to assert the principle, I see no objection to declaring that the future increment of rent should be hable to special taxa tion, in doing which all injustice to the landlords would be obviated, if the present market-price of their land were secured to them, since that includes the present value of all future expecta tions With reference to such a tax, perhaps a safer criterion than either a rise of rents or a rise of the price of corn, would be a general rise in the price of land. It would be easy to keep the tax within the amount which would reduce the market-value of land below the original valuation and up to that point, whatever the amount of the tax might be, no injustice would be done to the proprietors

§ 6 But whatever may be thought of the legitimacy of making the State sharer in all future increase of rent from natural causes, the existing land tax (which in this country unfortunately is very small) ought not to be

regarded as a tax, but as a rent-charge in favour of the public, a portion of the rent, reserved from the beginning by the State, which has never belonged to or formed part of the income of the landlords, and should not therefore be counted to them as part of their taxation, so as to exempt them from their fair share of every other tax As well might the tithe he regarded as a tix on the landlords as well, in Bengal, where the State, though entitled to the whole rent of the land, gave away one tenth of it to individuals, retaining the other nine tenths, might those nine tenths be considered as an un count and unjust tax on the grantees That a person owns of the tenth part of the rent, does not make the rest of it his just right, injuriously withheld from him The landlords originally held their estates subject to feudal burthens, for which the present land tax is an exceedingly small equivalent, and for their relief from which they should have been required to pay All who have a much higher price bought land since the tax existed have bought it subject to the tax. is not the smallest pretence for looking upon it as a payment exacted from the existing race of landlords

These observations are applicable to la land tax, only in so far as it is a pe cultar tax, and not v hen it is merely a ; mode of levying from the landlords the equivalent of what is taken from other In brance, for example, there are peculiar taxes on other kinds of property and income (the mobilier and the patente), and supposing the land tax to be not more than equivalent to these, there would be no ground for contending that the state had reserved to itself a rent-charge on the land But wherever and in so far as income derived from land is prescriptively subject to a deduction for public pur poses, beyond the rate of taxation levied on other incomes, the surplus is not properly taxation, but a share of the property in the soil, reserved by the state In this country there are no peculiar taxes on other classes, corresponding to, or intended to countervail. the land tax The whole of it, there-

fore, is not taxation but a rent charge and is as if the state had retained, not a portion of the rent, but a portion of the land. It is no more a burthen on the landlord, than the share of one joint tenant is a burthen on the other like landlords are entitled to no compensation for it, nor have they any claim to its being allowed for, as part of their taxes. Its continuance on the existing feeting is no infringement of the principle of Fqual Taxation.

Wo shall horeafter consider, in treating of Indirect Taxation, how far, and with what modifications, the rule of equality is applicable to that depart-

ment.

§ 7 In addition to the preceding rules, another general rule of taxation; is sometimes laid down, namely, that! it should fall on income, and not on That taxation should not on capital croach upon the amount of the national; capital, is indeed of the greatest in portance, but this encroachment, when it occurs, is not so much a consequence of any particular mode of taxation, as of its or cessive amount. Over taxation, carried to a sufficient extent, is quite capable or ruining the most industrious community, especially when it is in any degree arbitrary, so that the payer is nover certain how much or how little he shall be allowed to keep, or when it is so laid on as to render industry and economy a bad calculation But if these errors be avoided, and the amount of taxation be not greater than it is at present even in the most heavily taxed country of Europe, there is no danger lest it should deprive the country of a portion of its capital

To provide that triation shall fall entirely on income, and not at all or capital, is beyond the power of any

^{*} The same remarks obviously apply to those local taxes, of the peculiar pressure owhich on landed property so much has beer said by the remaint of the Protectionists As much of these burthens as is of old standing, ought to be regarded as a prescriptive deduction or reservation, for public purposes of a portion of the rent. And any ricen additions have either been incurred for the benefit of the owners of landed property, os occasioned by their fault in neither case giving them any just ground of complaint.

system of fiscal arrangements There is no tax which is not partly paid from what would otherwise have been saved. no tax, the amount of which, if remitted, would be wholly employed in in creased expenditure, and no part whatever laid by as an addition to capital All taxes, therefore, are in some sense partly paid out of capital, and in a poor country it is impossible to impose any tax which will not impede the increase of the national wealth. But in a country where capital abounds, and the spirit of accumulation is strong, this effect of taxation is scarcely felt Capital having reached the stage in which, were it not for a perpetual succession of improvements in production, any further increase would soon be stopped-and having so strong a tendency even to outrun those improvements, that profits are only kept above the minimum by emigration of capital, or by a periodical sweep called a commercial crisis, to take from capital by taxation what emigration would remove, or a commercial crisis destroy, is only to do what either of those causes would have done, namely, to make a clear space for further saving

I cannot, therefore, attach any im portance, in a wealthy country, to the objection made against taxes on loga cies and inheritances, that they are staxes on capital It is perfectly true that they are so As Ricardo observes. if 100l are taken from any one in a tax on houses or on wine, he will probably save it, or a part of it, by living in a cheaper house, consuming less wine, or retrenching from some other of his expenses but if the same sum be taken from him because he has re-

ceived a legacy of 1000l, he considers the legacy as only 900l, and feels no more inducement than at any other time (probably feels rather less in ducement) to economize in his expendi ture The tax, therefore, is wholly paid out of capital and there are countries : in which this would be a serious objec-But in the first place, the argument cannot apply to any country which has a national debt, and devotes any portion of revenue to paying it off, since the produce of the tax, thus applied still remains capital, and is merely transferred from the tax payer to the fundholder But the objection(is never applicable in a country which increases rapidly in wealth The amount which would be derived. even from a very high legacy duty, in each year, is but a small fraction of the annual increase of capital in such a country, and its abstraction would but make room for saving to an equivalent amount while the effect of not taking it, is to prevent that amount of saving, or cause the savings when made, to be sent abroad for investment A country which, like England, accumulates capi tal not only for itself, but for half the world, may be said to defray the whole of its public expenses from its over flowings, and its wealth is probably at this moment as great as if it had no taxes at all What its taxes really do is, to subtract from its means, not of production but of enjoyment, since whatever any one pays in taxes, he could, if it were not taken for that purpose, employ in indulging his ease, or in gratifying some want or taste which at present remains unsatisfied

CHAPTER III.

DIRECT

61 Taxes are either direct or in Indirect taxes are those which are direct A direct tax is one which is demanded from one person in the ex-demanded from the very persons who, pectation and intention that he shall it is intended or desired, should pay it | indemnify himself at the expense of }

With 15

anothor such as the excise or customs the producer or importer of a commodity is called upon to pay a tax on it, not with the intention to levy a peculiar contribution upon him, but to tax through him the consumers of the commodity, from whom it is supposed that he will recover the amount by means of an advance in price

Direct taxes are either on income, for on expenditure. Most taxes on expenditure are indirect, but some are direct, being imposed, not on the producer or seller of an article, but imme directly on the consumer. A house tax, for example, is a direct tax on expenditure, if levied, as it usually is, on the loccupier of the house. If levied on the builder or owner, it would be an indirect tax. A window tax is a direct tax on expenditure, so are the taxes on horses and carriages, and the rest of what are called the assessed taxes.

The sources of income are rent, profits, and wages. This includes every fort of income, except gift or plunder. Taxes may be laid on any one of the three kinds of income, or an uniform tax on all of them. We will consider these in their order.

§ 2 A tax on rent falls wholly on the landlord There are no means by which he can shift the burthen upon any one else It does not affect the value or price of agricultural produce, for this is determined by the cost of production in the most unfavourable circumstances, and in those circumstances, as we have so often demon strated, no rent is paid A tax on rent, therefore, has no effect, other than its obvious one It merely takes so much from the landlord, and transfers it to the state

I. This, however, is, in strict exact moss, only true of the rent which is the result either of natural causes, or of improvements made by tenants. When the landlord makes improvements which increase the productive power of his land, he is remunerated for them by an extra payment from the tenant, and this payment, which to the landlord is properly a profit on capital, is blended and confounded with rent,

which indeed it really is, to ne tenant and in respect of the economical laws which determine its amount. A tax on rent, if extending to this portion of it, would discourage landlords from making improvements but it does not follow that it would raise the price of agricultural produce The same improvements might be made with the tenant's capital, or even with the land lord's if lent by him to the tenant, provided he is willing to give the tenant so long a lease as will enable him to indemnify himself before it expires But whatever hinders improvements from being made in the manner in which people prefer to make them, will often prevent them from being made at all and on this account a tax on rent would be inexpedient, unless some means could be devised of excluding from its operation that portion of the nominal rent which may be regarded as landlord's profit. This argument. however, is not needed for the con demnation of such a tax. A peculiar tax on the income of any class, not balanced by taxes on other classes, is a violation of justice, and amounts to a partial confiscation I have already shown grounds for excepting from this censure a tax which, sparing existing rents, should content itself with appropriating a portion of any future increase arising from the mere action of natural But even this could not be justly done, without offering as an al ternative the market price of the land In the case of a tax on rent which is not peculiar, but accompanied by an equivalent tax on other incomes, the objection grounded on its reaching the prolit arising from improvements is less applicable since, profits being taxed as well as rent, the profit which assumes the form of rent is liable to its share in common with other profits, but since profits altogether ought, for reasons formerly stated, to be taxed somewhat lower than rent properly so called, the objection is only diminished. not removed

§ 3 A tax on profits, like a tax on rent, must, at least in its immediate operation, fall wholly on the payer.

All profits being whike affected, no whife in be obtained by a change of employment. If a tax were lawl on the profits of any one branch of productive employment, the tax would be virtually an increase of the cost of production, and the value and prace of the article grould rise accordingly, by which the tax would be thrown upon the con-Lumers of the commodity, and would and affect profits But a general and equal tax on all profits would not nticet general prices, and would fall, at least in the first instance, on capitalists alone

There is, however, an ulterior effect, Johneh, marich and prosperous country, frequires to be taken into account When the capital accumulated is so great, and the rate of annual accumu , ation so ripid, that the country is go ily kept from attaining the stationary ktate by the emigration of capital, or Is continual improvements in producction, any encumistance which virtually loners the rate of profit, cannot be without a decided influence on these phenomena. It may operate in differ The curtailment of profit, and the consequent increased difficulty in making a fortune or obt uning a subsistence by the employment of capital, may act as a stimulas to inventions, and to the use of them when made improvements in production are much accelerated, and if these improvements cheapen, directly or indirectly, any of the things habitually consumed by the labourer, profits may rise, and rise sufficiently to make up for all that is taken from them by the tax case the tax will have been realized without loss to any one, the produce of the country being mereased by an equal, or what would in that case be a far greater amount The tax, however, must oven in this case be considered as paid from profits, because the receivers of profits are these who would be bene fited if it were taken off

But though the artificial abstraction of a portion of profits would have a real tendency to accelerate improve ments in production, no considerable improvements might actually result, or only of such a kind as not to raise

general profits at all, or not to raise them so much as the tax had dom If so, the rate of profit nished them would be brought closer to that practi cal minimum, to which it is constantly approaching and this diminished re turn to cipital would either give a de cided check to further accumulation, or would cause a greater proportion than before of the annual morease to be sent abroad, or wasted in unprofitable spe, culations At its first imposition the tax falls wholly on profits but the amount of increase of capital, which the tax prevents, would, it it had been; allowed to continue, have tended to rell duce profits to the same level, and at t every period of ten or twenty years there will be found less difference be tween profits as they are, and profits as they would in that case have been until at last there is no difference, and the tax is thrown either upon the la bourer or upon the landlord The real effect of a tax on profits is to make the country possess at any given period, a smaller capital and a smaller aggregate production, and to make the stationary state be attained earlier, and with a smaller sum of national wealth possible that a tax on profits might even dimmish the existing cipital of the country If the rate of profit 19 already at the practical minimum, that is, at the point at which all that portion of the annual increment which would tend to reduce profits is carried off either by exportation or by specula tion, then it a tax is imposed which reduces profits still lower, the same causes which proviously carried off the increase would probably carry off a portion of the existing capital A tax on profits is thus, in a state of capital and accumulation like that in England, extremely detrimental to the national ! And this effect is not con fined to the case of a peculiar, and therefore intrinsically unjust, tax on The more fact that profits have to bear their share of a heavy general taxation, tends, in the same manner as a peculiar tax, to drive capital abroad, to stimulate imprudent speculations by duninishing safe gains, to discourage further accumulation,

and to accelerate the attainment of the stationary state. This is thought to have been the principal cause of the decline of Holland, or rather of her having ceased to make progress.

Evon in countries, which do not accu mulate so fast as to be always within a short interval of the stationary state, it seems impossible that, if capital is accumulating at all, its accumulation should not be in some degree retarded by the abstraction of a portion of its lprofit, and unless the effect in stimu lating improvements be a full counter balance, it is inevitable that a part of the burthen will be thrown off the capital 1st, upon the labourer or the landlord One or other of these is always the loser by a diminished rate of accumu If population continues to in lation crease as before, the labourer suffers if not, cultivation is checked in its ad vance, and the landlords lose the accession of rent which would have accrued to them The only countries in which a tax on profits seems likely to be per manently a burthen on capitalists ex clusively, are those in which capital is stationary, because there is no new accumulation In such countries the tax might not prevent the whole capi tal from being kept up through habit, or from unwillingness to submit to impovershment, and so the capitalist nught continue to bear the whole of the tax It is seen from these const derations that the effects of a tax on profits are much more complex, more various, and in some points more un certain, than writers on the subject have commonly supposed

§ 4. We now turn to Taxes on Wages The incidence of these is very different, according as the wages taxed are those of ordinary unskilled labour, or are the remuneration of such skilled or privileged employments, whicher manual or intellectual, as are taken out of the sphere of competition by a natural or conferred monopoly

I have already remarked, that in the present low state of popular education, all the higher grades of mental or educated labour are at a monopoly price, exceeding the wages of common work

men in a degree very far beyond that which is due to the expense, trouble, and loss of time required in qualifying for the employment Any tax levied on these gains, which still leaves them above (or not below) their just proportion, falls on those who pay it, they have no means of relieving themselves at the expense of any other class The same thing is true of ordinary wages, in cases like that of the United States, or of a new colony, where, capital in creasing as rapidly as population can increase, wages are kept up by the in crease of capital, and not by the ad herence of the labourers to a fixed stan dard of comforts In such a case, some deterioration of their condition, whether by a tax or otherwise, might possibly take place without checking the in crease of population The tax would in that case fall on the labourers them selves, and would reduce them prematurely to that lower state to which, on the same supposition with regard to their habits, they would in any case have been reduced ultimately, by the mevitable diminution in the rate of in crease of capital, through the occupa tion of all the fertile land.

Some will object that, even in this case, a tax on wages cannot be dein mental to the labourers, since the mores raised by it, being expended in the country, comes back to the labourers again through the demand for labour The fallacy, however, of this doctrine has been so completely exhibited in the First Book,* that I need do little more than refer to that exposition. It was there shown that funds expended un productively have no tendency to raise or keep up wages, unless when ex pended in the direct purchase of labour If the government took a tax of a shilling a week from every labourer, and laid it all out in hiring labourers for military service, public works, or the like, it would, no doubt, indemnify the labourers as a class for all that the tax took from them That would really be "spending the money among the people" But if it expended the whole in buying goods, or in adding to the salaries of employes who bought

* Supra, pp 49-55

goods with it, this would not increase the demand for labour, or tend to ruse wages Without, however, reverting to general principles, we may rely on un obvious reductio ad absurdum to take money from the labourers and spend it in commodities is giving it buck to the labourers, then, to take moner from other classes, and spend it in the same manner, must be giving it to the labourers, consequently, the more a government takes in taxes, the greater will be the demand for labour, and the more opulent the condition of the labourers A proposition the absurdity of which no one can fail to see

In the condition of most communi ties, wages are regulated by the habitunl standard of living to which the Inbourers adlere, and on less than gwhich they will not multiply there exists such a standard, a tax on wages will indeed for a time be borne by the labourers themselves, but unless this temporary depression has the effect of lowering the standard itself, the increase of population will receive a check, which will raise wages, and restore the labourers to their previous condition On whom, in this case, will the tax fall? According to Adam Emith, on the community generally, in their character of consumers, since the rise of nuces, he thought, would saire general prices We have seen, however, that general prices depend on other causes, and are nover raised by any circumstance which affects all kinds of productive employment in the same manner and degree I rase of mages occasioned by a tax, inust, like any other increase of the cost of labour, To attempt be defrayed from profits to tax day labourers, in an old country, is mercly to impose an extra tax upon all employers of common labour, unless the tax has the much worse effect of permanently lowering the standard of comfortable subsistence in the minds of the poorest class

We find in the preceding considerations an additional argument for the opinion already expressed, that direct taxation should stop short of the class of incomes which do not exceed what is necessary for healthful existence

These very small incomes are mostly derived from manual labour, and, as we now see, any tax imposed on these, either permanently degrades the habits of the labouring class, or falls on profits, and burthens capitalists with ar indirect tax, in addition to their share of the direct taxes, which is doubly objectionable, both as a violation of the fundamental rule of equality, and for the reasons which, as already shown, render a peculiar tax on profits detrimental to the public wealth, and consequently to the means which society possesses of paving any taxes whatever

We now pass, from taxes out, the separate kinds of income, to a tax attempted to be assessed fairly upon all kinds, in other words, an Income The discussion of the conditions Tax necessary for making this tax consistent with justice, has been anticipated in the last chapter We shall suppose. therefore, that these conditions are com They are, first, that in plied with comes belon a certain amount should be altogether untaxed This minimum should not be higher than the amount which suffices for the necessaries of the existing population The exemption from the present income-tax, of all incomes under 100l a year, and the lower percentage levied on those between 100l and 150l, are only defensible on the ground that almost all the indirect taxes press more heavily on incomes between 50l and 150l than on any The second condi others whatever tion is, that incomes above the limit chould be taxed only in proportion to the surplus by which they exceed the Thirdly, that all sums saved from income and invested, should be exempt from the tax or if this be found impracticable, that life incomes and incomes from business and professions should be less heavily taxed than inheritable incomes, in a degree as nearly as possible equivalent to the in creased need of economy arising from their terminable character allowance being also made, in the case of variable incomes, for their precariousness

An income-tax, fairly assessed on these principles, would be, in point of

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justice, the least exceptionable of all | The objection to it, in the present low state of public morality, is the impossibility of ascertaining the real incomes of the contributors. The supposed hardship of compelling people to disclose the amount of their incomes, ought not in my opinion, to count for One of the social evils of this country is the practice, amounting to a custoin, of maintaining, or attempting to maintain, the appearance to the world of a larger income than is possessed, and it would be far better for the interests of those who yield to this weakness, if the extent of their means were universally and exactly known, and the temptation removed to expend ing more than they can afford, or stinting real wants in order to make a false La show externally At the same time, the reason of the case, even on this point, is not so exclusively on one side of the argument as is sometimes supposed ' So long as the vulgar of any country are in the debased state of mind which this national habit presupposes—so long as their respect (if such a word can be applied to it) is proportioned to what they suppose to be each person's pecuniary means—it may be doubted whether anything which would remove all uncertainty as to that point, would not considerably increase the presumption and arrogance of the vulgar rich, and their insolence towards those above them in mind and character, but below them in fortune

Notwithstanding, too, what is called the inquisitorial nature of the tax, no orionat of inquisitorial power which swould be telerated by a people the most disposed to submit to it, could Jenable the revenue officers to assess the tax from actual knowledge of the circumstances of contributors Lients, salaries, annuities, and all fixed in comes, can be exactly ascertained But the variable gains of professions, and still more the profits of business, which the person interested cannot always himself exactly ascertain, can still less be estimated with any approach to fairness by a tax-collector The main reliance must be placed,

turns made by the person himself No production of accounts is of much avail, except against the more flagrant cases of falsehood, and even against these the check is very imperfect, for if fraud is intended, false accounts can generally be framed which it will baffle any means of inquiry possessed by the revenue officers to detect the easy resource of omitting entries on the credit ande being often sufficient without the aid of lictitious debts or disbursements. The tax, therefore, on whatever principles of equality it may be imposed is in practice unequal in one of the worst ways, falling heaviest on the most conscientions. The unscrupulous succeed in evading a great proportion of what they should pay, even persons of integrity in their ordinary transac tions are tempted to palter with their consciences, at least to the extent o deciding in their own favour all points on which the smallest doubt or dis cussion could arise while the strictly veracious may be made to pay more than the state intended, by the powers of arbitrary assessment necessarily in trusted to the Commissioners as the last defence against the tax payer's power of concealment

It is to be feared, therefore, that the furness which belongs to the principle of an income tax, cannot be made to attach to it in practice and that this tax, while apparently the most just of all modes of raising a revenue, is in effect more unjust than many others which are prima facie more objection This consideration would lead us to concur in the opinion which, until of late, has usually prevailed—that direct taxes on income should be reserved as an extraordinary resource for great national emergencies, in which the necessity of a large additional revenue overrules all objections

comes, can be exactly ascertained But the variable gains of professions, and still more the profits of business, which the person interested cannot always himself exactly ascertain, can still less be estimated with any approach to fairness by a trx-collector. The main reliance must be placed, and always has been placed, on the re-

Re-ars, in a clever pamphlet on the subject, * contends that the returns which persons would furnish of their expenditure would be more trustworthy than those which they now make of their income, masmuch as expenditure is in its own nature more public than income, and false representations of it more easily detected. He cannot, I think, have sufficiently considered, how few of the items in the annual expen diture of most families can be judged of with any approximation to correctness from the external signs The only security would still be the veracity of individuals, and there is no reason for supposing that their statements would be more trustworthy on the subject of their expenses than on that of their revenues, especially as, the expenditure of most persons being composed of many more items than their income. there would be more scope for conceal ment and suppression in the detail of expenses than even of receipts

The taxes on expenditure at present in force, either in this or in other coun tries, fall only on particular kinds of expenditure, and differ no otherwise from taxes on commodities than in being prid directly by the person who consumes or uses the article, instead of being advanced by the producer or seller, and reimbursed in the price The taxes on horses and carriages, on dogs, on servants, are of this nature They evidently fall on the persons from whom they are levied—those who use the commodity taxed. A tax of a sum lar description, and more important, is a house tax which must be considered at somewhat greater length

§ 6 The rent of a house consists of two parts, the ground rent, and what Adam Smith calls the building rent. The first is determined by the ordinary principles of rent. It is the remuneration given for the use of the portion of land occupied by the house and its apportenances, and varies from a mere

A Percentage Tax on Donestic Expenditure to supply the whole of the Rublic Recenue By John Revens Published by Hatchard in 1847

would afford in agriculture, to the mono poly rents paid for advantageous situa tions in populous thoroughfares rent of the housestself, as distinguished from the ground, is the equivalent given for the labour and capital expended on the building The fact of its being ret ceived in quarterly or half yearly pay ments, makes no difference in the principles by which it is regulated comprises the ordinary profit on the builder's capital, and an annuity, sufficient at the current rate of interest, after paying for all repairs chargeable on the proprietor, to replace the original capital by the time the house is work out, or by the expiration of the usua. term of a building lense

A tax of so much per cent on the gross rent, falls on both those portions alike. The more highly a house is rented, the more it pays to the tax, whether the quality of the situation or that of the house itself is the cause. The incidence, however, of these two portions of the tax must be considered.

separately

As much of it as is a tax on build ing rent, must ultimately fall on the consumer, in other words the occupier For as the profits of building are al ready not above the ordinary rate, they would, if the tax fell on the owner and not on the occupier, become lower than the profits of untaxed employments and houses would not be built probable however that for some time after the tax was first imposed, a great part of it would fall, not on the renter, but on the owner of the house A large proportion of the consumers either could not afford, or would not choose, to pay their former rent with the tax in ad dition, but would content themselves with a lower scale of accommodation Houses therefore would be for a time The consein excess of the demand quence of such excess, in the case of most other articles, would be an almost immediate diminution of the supply but so durable a commodity as houses does not rapidly diminish in New buildings indeed, of the amount class for which the demand had de creased, would cease to be creeted, ex cept for special reasons but in the

proportion to them A house-tax is a ! nearer approach to a fair income-tax, than a direct assessment on income can easily be having the great ad vantage that it makes spontaneously all the allowances which it is so diffi cult to make, and so impracticable to make exactly, in assessing an income tax for if what a person pays in house-rent is a test of anything, it is a test 1 of of what he possesses, but of what he thinks he can afford to spend equality of this tax can only be sen orely quest oned on two grounds first_1s_that_a_misor_may_escape_it This objection applies to all taxes on expenditure nothing but a direct tax on ir come can reach a miser misers do not now hound their treasure. but invest it in productive employments. it not only adds to the national wealth, and consequently to the general means of paying taxes but the payment claim able from itself is only transferred from the principal sum to the income after wards derived from it, which pays takes as soon as it comes to be expended The second objection is that a person may require a larger and more ex pensive house, not from having greater means, but from having a larger family, Of this, however, he is not entitled to complain, since having a large family is at a person's own choice and, so far as concerns the public interest, is a thing rather to be discouraged than promoted.*

* Another common objection is that large and expensive accommodation is often required, not as a residence but for business. But it is an admitted principle that buildings or portions of buildings occupied exclusively for business, such as shops, warcheuses, or manufactories ought to be exempted from house-tax. The ples that persons in business may be compelled to live in situations, such as the great thoroughtares of London, where house-rest is at a monopoly rate, seems to me unworthy of regard; since no one does so but because the extra profit which he expects to derive from the situation, is more than an equivalent to him for the extra cost. But in any case, the bulk of the tax on this extra rent will not fall on him, but on the ground landlord.

It his been also objected that house rent in the rural districts is much lower than in towns, and lower in some towns and in some rural districts than in others so that a tax proportioned to it would have a corresponding menality of pressure. To this, however

A large portion of the taxation of this country is raised by a house-tax. The parochial taxation of the towns, entirely, and of the rural districts par's tially, consists of an assessment on The window-tax, which house rent was also a house-tax, but of a bad kind, operating as a tax on light, and a cause of deformity in building, was exchanged in 1851 for a house tax properly so called, but on a much lower scale than that which existed previously to 1834 It is to be lamented that the new tax retains the unjust principle on which the old house-tax was assessed, and which contributed quite as much as the selfishness of the middle classes to produce the outery The public were against the tax justly scandalized on learning that residences like Chatsworth or Belvoir were only rated on an amaginary rent of perhaps 2001 a year, under the pretext that owing to the great expense of keeping them up, they could not be let for more Probably, indeed, they could not be let even tor that, and if the argument were a fair one, they ought not to have been taxed at all. But a house-tax is not intended as a tax on incomes derived from houses. but on expenditure incurred for them The thing which it is wished to ascer tain is what a house costs to the person who lives in it, not what it would bring in if let to some one else. When the occupier is not the owner, and does not hold on a repairing lease, the rent he pays is the measure of what the house costs him but when he is the owner, some other measure must be sought A valuation should be made of the house, not at what it would sell for, but at what would be the cost of rebuilding it, and this valuation might

it may be answered, that in places where house rent is low, persons of the same amount of income usually live in larger and better houses, and thus expend in house-rent more nearly the same proportion of their incomes than might at first sight appear. Or if not, the probability will be, that many of them live in those places precicely because they are too poor to live elsewhere, and have therefore the strongest claim to be taxed lightly. In some cases, it is precisely because the people are poor that house rent remains low.

be periodically corrected by an alloxance for what it had lest in value by time, or gained by a pair and improvements. The amount of the amended valuation would form a principal sum, the interest of which, at the current price of the public funds would form the annual value at which the building should be a seesed to the tax.

As incomes below a certain amount ten aught to be exempt from income tax, as is so ought houses below a certain value, bers

for a house tax, on the universal print ciple of sparing, for a bit taxation the absolute in concrete of healthful exist once. In order that the excupiers of lodgings, as well as of houses might benefit, as in justice they on, ht, by this exemption it might be optimal with the owners to here every portion of a lieu either to cupied by a separate by, as is now usually the reservoir claim.

CHAPTER IV

THERETO ENERGY TO SEEKE TO

§ 1 By taxes on commoditue are Lommonly meant, the e which are le tvied either on the producei≤, or on the rarriers or dealers who intervene be tween them and the final purchasers for consumption Taxes imposed di rectly on the consumers of particular commodities, such as a house tax, or the tax in this country on horses and carriages, might be called taxes on commodities, but are not, the phrase being, by custom, confined to indirect taxes—those which are advanced by one person, to be, as is expected and intended, reimbursed by another Taxes on commodities are either on production within the country, or on importation into it, or on consumnce for sale within it, and are classed re spectively as excise, customs, or tolls and transit dulies To whichever class they belong, and at whatever stage in the progress of the community they may be imposed, they are equivalent to an increase of the cost of production using that term in its most enlarged sense, which includes the cost of transport and distribution, or, in common phrase, of bringing the commodity to market

When the cost of production is increased artificially by a tax, the effect is the same as when it is increased by natural causes. If only one or a few commodities are affected their value

or lyrico are, so an to componente the profeser or dealer for the posuhar low then, but if there were a tax on all commodities, exactly proportioned to their value, no such compensation would be obtained there would neither be a general use of values, which is an absurdity, nor of prices, which depend on causes entirely different There would, however, as Mr. M'Cul. loch line pointed out, be a disturbance of values, rome falling, others riging, owing to a circumstance, the effect of which on values and prices we for merly discussed, the different durabi lity of the capital employed in different occupations. The gross produce of industry constitute of two parts, one portion serving to replace the capital consumed, while the other portion is Now equal capitals in two branches of production must have equal expectations of profit, but if a greater portion of the one than of the other is tixed capital, or if that fixed capital is more durable, there will be a less con sumption of capital in the year, and less will be required to replace it, ac that the profit, if absolutely the same, will form a greater proportion of the annual returns To derive from a ca pital of 10001 a profit of 1001, the one producer may have to sell produce to the value of 11007, the other only to the value of 500l If on these two branches of industry a tax be imposed of five per cent ad i alorem, the last will be charged only with 251, the first with 551, leaving to the one 751 profit, to the other only 451. To equalize, therefore, their expectation of profit, the one commodity must rise in price, or the other must fall, or both commodities made chiefly by immediate labour must rise in value, as compared with those which are chiefly made by machinery. It is unnecessary to prose cute this branch of the inquiry any further.

\$ 2 A tax on any one commodity, whether laid on its production, its importation, its carriage from place to place, or its sale, and whether the tax be a fixed sum of money for a given 'quantity of the commodity, or an ad i alcrem duty, will, as a general rule, Frame the value and price of the commodity by at least the amount of the .tax There are few cases in which it does not raise them by more than that In the first place, there are few taxes on production on account of which it is not found or deemed necesears to impose restrictive regulations on the minufacturers or deilers, in order to check existens of the tax These regulations are always sources of trouble and annoyance, and gene rally of expense, for all of which, being peculiar disadvantages, the producers or dealers must have compensation in the price of their commodity restrictions also frequently interfere with the processes of manufacture, requiring the producer to carry on his operations in the way most convenient to the revenue, though not the cheapest, or most efficient for purposes of production fixny regulations whatever, enforced by law, make it difficult for the producer to adopt new and improved Further, the necessity of processes advancing the tax obliges producers and dealers to carry on their business with larger capitals than would otherwise he necessary, on the whole of which they must receive the ordinary rate of profit, though a part only is em ployed in defraying the real expenses of production or importation. The price | ducers or dealers

of the article must be such as to afford a profit on more than its natural value. instead of a profit on only its natural A part of the capital of the country, in short, is not employed in production, but in advances to the state. repaid in the price of goods, and the consumers must give in indemnity to the sellers, equal to the profit which they could have made on the same capital if really employed in produc tion * Neither ought it to be forgotten, that whatever renders a larger capital necessary in any trade or business. limits the competition in that business, and by giving something like a monopoly to a few dealers, may enable them either to keep up the price beyond what would afford the ordinary rate of profit, or to obtain the ordinary rate of profit with a less degree of exertion for improving and cheapening their commo-In these several modes, taxes on: commodities often cost to the consumer. through the increased price of the article, much more than they bring into the treasury of the state There 18 still another consideration. The higher price necessitated by the tax, almost always checks the domand for the com_ modity, and since there are many im provenients in production which, to make them practicable, require a cortain extent of demand, such improve ments are obstructed, and many of them It is a well prevented altogether known fact, that the branches of production in which fewest improvements are made, are those with which the revenue officer interferes, and that no hing, in general, gives a greater impulse to improvements in the production of a commodity, than taking off a tax which narrowed the market for it

* It is true, this does not constitute, as it at first sight appears to do, a case of taking more out of the pockets of the people than the state receives, since it the state needs the advance, and gets it in this manner, it can dispense with an equivalent amount of borrowing in stock or exchequer bills. But it is more economical that the necessities of the state should be supplied from the disposable capital in the hands of the lending class, than by an artificial addition to the expenses of one or several classes of producers or dealers.

8 B Such are the efficia of taxes on commodities, considered generally, but as there are some commodities (those composing the necessaries of the labourer) of which the values have an influence on the distribution of wealth among different classes of the commumity, it is requisite to trace the effects of taxes on those particular articles If a tax be laid, somewhat farther say on corn and the price rises in proportion to the tax, the use of price may operate in two ways First it may lower the condition of the labouring classes, temporarily indeed it can scarcely fail to do so If it diminishes their consumption of the produce of the ! earth, or makes them resort to a food which the soil produces mom abun dantly, and therefore more cheaply, it to that extent contributes to throw back agreeulture upon more fertile lands or less costly processes and to lower the value and price of corn, which therefore ultimately settles at a price, increased not by the whole amount of the tax, but by only a part of its Secondly, however, it may amount happen that the dearness of the taxed food does not lower the habitual stan dard of the labourer's requirements, that wages, on the contrary, through an action on population, rise, in a shorter or longer period, so as to compensate the labourers for their por tion of the tax, the compensation being of course at the expense of Taxes on necessaries must { profits thus have one of two effects they lower the condition of the labour ing classes, or they exact from the owners of capital, in addition to the amount due to the state on their own necessaries, the amount due on those consumed by the labourers In the last case, the tax on necessaries, like a tax on wages, is equivalent to a pecu har tax on profits, which is, like all I lands will be as follows -

other partial taxation, unjust, and it ape ially profudicial to the irreresse of the national wealth

It remains to speak of the offect m? Assuming (what is usually the fact) that the consumption of food 12 no diminished, the same cultivation as before will be necessary to supply that wants of the community, the margin of cultivation, to use Dr Chalmers' expression, remains where it was, and the same land or capital which, as the has productive, already regulated the value and price of the whele produce, will continue to regulate them effect which a tax on agricultural produce will have on tent depends on its affecting or not affecting the difference between the return to this least productive land or capital, and the returns to other lands and capitals. depends on the manner in which the tax is imposed. If it is an advalorem tax or what is the same thing a fixed proportion of the produce, such es tithe for example, it evidently lowers corn rents. For it takes more corn from the better lands than from the worse, and exactly in the degree in a high they are better, land of twice the productiveness paying twice as mn h to the tithe Whatever takes more from the greatel of two quantities than from the less diminishes the difference between them The imposition of a tithe on corn would take a tithe also from cornrent for if we reduce a series of numberit by a tenth each, the differences botween) them are reduced one tenth

For example, let there be five quali ties of land, which severally yield, on the same extent of ground and with the same expenditure, 100, 00, 80, 70, and 60 bushels of wheat, the last of these being the lowest quality which the demand for food renders it neces sarr to cultivate The rent of these

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The land producing 100 bushels will yield a rent of 100-60 or 40 bushels
That producing
                     90
                                                    17-60, or 30
                     80
                                                    Sn-fn, or 20
                           ,,
                                                    70-60, or 10
                           * *
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Now let a tithe be imposed, which I land 10, 9, 8, 7, and 6 bushels retakes from these five pieces of spectively, the fifth

price, but returning to the farmer, 54 bushels -

bring the one which regulates the Infter payment of tithe, no more than

The had producing 160 bushels reduced to 100, will yield a rent of 100-51, or 38 bushels That pre-focing 81-51 or 27 72-61, or 18 ., ,, 03-51 or 9

an I that preducing 60 bushels, reduced I to 54 will yield us before, no rent. So that the rent of the first quality of land has lost four lambels, of the *econd three, of the third, two and of the fourth, one that is, each has lost exactly one tenth. A tax therefore, of a fixed proportion of the prodice lowers, in the same proportion, com rent

But it is only comment that is lowered, and no rent estimated in money, or n any other commodity lor, in the rame proportion as comrent is required in quantity, the corncompound it is raised in value. Uniter the 11the 54 bushels will be worth in the market what 60 were before, and nice tenths will in all cases fell for as much as the whole tentenths press ovely sold for The landlords will therefore by compensated in value and proce for what they love in quantity, and will suffer only so far as they conrime their rent in Find, or, after receiving it in money, expend it in agricultural produce that is, they only suffer as consumers of agricultural pr viuce, and in common with all the other consumers Considered as land forls, they have the same income as before, the tithe, therefore, falls on the con-niner, and not en the landlord

The same effect would be produced on rent, if the tax instead of being a fixed proportion of the produce, were a fixed sum per quarter or per bushel A tax which takes a shilling for every bushel tales more shillings from one field than from another, just in propor tion as it produces more bushels, and operates exactly like tithe, except that title is not only the same proportion on all lands, but is also the same proportion at all times, while a fixed sum of money per bushel will amount to a greater or less proportion, according as corn is cheap or dear

There are other modes of taxing

agriculture, which would affect rent' differently A tax proportioned to the rent would fall wholly on the rent, and would not at all raise the price of corn, which is regulated by the portion of the produce that pays no rent. A fixed! tax of so much per cultivated acre. without distinction of value, would have effects directly the reverse Taking no more from the best qualities of land than from the worst, it would leave the differences the same as before, and consequently the same corn rents, and the landlords would profit to the full extent of the rise of price. To put the thing in another manner, the price must use sufficiently to enable the worst land to pay the tax thus enabling all lands which produce more than the worst to pay not only the tax, but also an in cressed rent to the landlords These, however, are not so much taxes on the? produce of land, as taxes on the land itself Taxes on the produce, properly so called, whether fixed or ad valorem, do not affect rent, but fall on the con sumer profits, however, generally bearing either the whole or the greatest part of the portion which is levied on the consumption of the labouring classes

§ 4 The preceding is, I approhend, a correct statement of the man-. nor in which taxes on agricultural produce operate when first laid on When, however, they are of old stand ing, their effect may be different, as was first pointed out, I believe, by Mr Senior It is, as we have seen, an! almost infallible consequence of any reduction of profits, to retard the rate of accumulation. Now the effect of accumulation, when attended by its usual accompaniment, an increase of population, is to increase the value and price of food, to raise rent, and to lower profits that is, to do precisely what is done by a tax on agricultural

cipates the rise of pine, and fall of inerna ed lees rap die then it would profits, which would have taken place other a have dine, will not be so ultimately through the mere progress' much as a tenth lugher then what, if of accumulation, whil it at the rem time prevents, or at least retards, that progress If the rate of profit was such, I therefore, will already have round to previous to the in position of a fithe, fall on the con mer, and district that the effect of the inhe reduces it supon the brider I and the proportion to the practical minimum, the title will put a stop to all further accumu lation, or cause it to take place of that the courtry, and the only effect which the tithe will then have had on the consumer, is to make him pay earlythe price which he would have had to (pry somewhat later-part of which, indeed, in the gradual progress of wealth and population, he would have almost immediately begun to par After a lapse of time which would have admitted of a rise of one tenth through the natural progress of wealth, the consumer will be paying no more than he would have paid if the tithe had nover existed, he will have ceared to pay any portion of it, and the person who will really pay it is the lendlord, whom it deprives of the increase of rent which would by that time have accrued to him At every successive point in this interval of time, less of the burthen vill rest on the consumer, and more of it on ; the landlord and in the ultimate re Bult, the minimum of profits will be reached with a smiller capital and population, and a lower rental, than if the course of things had not been dis sturbed by the importion of the tax If, on the other hand, the tithe or other tex on agricultural produce does not reduce profits to the minimum, but to something above the minimum, accu i mulation will not be stopped, but only slackened and if population also in creases, the twofold increase will con tinue to produce its effects-a use of the price of corn, and an increase of These consequences, however, will not tale place with the same rapidity as if the higher rate of profit fliad continued At the end of twenty years the country will have a smaller population and capital, than, but for t

produce, except that this lo a not more, had, the lar li mis will I me a smaller The tax, thereto c, merely antigrant, and the grant of corn, having I there had been notar, it would by that time have become A fort of the tax all become greater and greater by Important

Mr. Senier all istrates this man of the subject I r likening the effects of taken in other t new or name distrib produce, to the not return territy of fued if the laid of a country rathout necess to fire a supplie, were said dealy emit a with a penisonn' detect rioration of quality, to an extent which reull sinks a tenth more labour necessi ears to raise the existing produce, the price of earn would un labitedir rice Put it connut hence be inferred that if the earl of the country had from the beginning been one-tenth worse than it is, corn would at present have been one tenth dearer than we find it. It is far more probable, that the smaller return to labour and en ital ever a new the first softlem at of the country, would have caused in each enecessive generation a less rigid in crease than has taken place that the country 1 ould no r have contained less espital, and maintained a smaller popu lation, so that notwithstanding the in fenority of the soil, the price of corn world not have been higher, nor profits lower, than at present, rent alone would ecrtainly have been lo vermay suppore two relands, which, being alile in extent, in natural fertility, and? industrial advancement, have up to a certain time been equal in population; and capital, and have had equal rentals, and the same price of corn Let us imagine a tithe imposed in one of there islands, but not in the other will be immediately a difference in the price of corn, and therefore probably in profits While profits are not tending downwards in either country, that is, while improvements in the production of necessaries fully leep pace with the the tax, it would by that time have increase of population, this difference

of prices and profits between thors in la may continue But if, in the multihed island, capital increases, and popula tion along with it, more thin enough to counterbalince any improvements ! which take place, the price of corn will gridually rise, profits will fall, and rent will increase, while in the titled island capital and population will either not ' increase (beyond what is balanced by the improvements), or if they do, will increase in a less degree, so that rent and the price of corn will either not rise at all, or rise more slowly Rent, there fore, will soon be higher in the untitled, than in the tithed island, and profits not so much higher, nor corn so much che sper, as they were on the first imposition of the tithe. These effects will be progressive. At the end of every ten years there will be a greater difference between the rentals and be tween the aggregate wealth and population of the two islands, and a less difference in profits and in the price of com

At what point will these last difterences entirely cease, and the tem porary effect of taxes on agricultural produce, in raising the price, have en tirely given place to the ultimate effect, that of limiting the total produce of the country? Though the untitled island is always verging towards the point at which the price of food would overtake that in the tithed island, its progress towards that point naturally slictens as it draws nearer to attaining it, since—the difference between the two islands in the rapidity of accumu lation, depending upon the difference in the rates of profit—in proportion as these approximate, the movement which draws them closer together, abates of The one may not actually its force overtake the other, until both islands reach the minimum of profits up to that point, the titled island may con tinue more or less ahead of the untitled island in the price of corn considerably ahead if it is far from the minimum, and is therefore accumulating rapidly, very little ahead if it is near the minimum, and accumulating slowly

But whatever is true of the tithed and consequently from the price, of and untithed islands, in our hypothetical all agricultural produce, and unless it

cal case, is true of any country having a title, compared with the same country if it had never had a title

In Lngland the great emigration of capital, and the almost periodical oc currence of commercial crises through the speculations occasioned by the habitually low rate of profit, are indications that profit has attained the practical, though not the ultimate minimum, and that all the savings which take place (beyond what im provements, tending to the cheapening of necessiries, make room for) are either sent abroad for investment, or periodically swept away There can therefore, I think, be little doubt that if England had never had a tithe, or any tax on agricultural produce, the price of corn would have been by this time as high, and the rate of profits as low, as at present. Independently of the more rapid accumulation which would have taken place if profits had not been prematurely lowered by these imposts, the mere saving of a part of the capital which has been wasted in unsuccessful speculations, and the reeping at home a part of that which has been sent abroad, would have been quite sufficient to produce the effect I think, therefore, with Mr Senior, that the title, even before its commutation, had censed to be a cause of high prices or low profits, and had become a mere deduction from rent, its other effects being, that it caused the country to have no greater capital, no larger production, and no more numerous population than if it had been one tenth less fertile than it is, or let us rather say one twentieth, (considering how great a portion of the land of Great Britain was tithe-free)

But though tithes and other taxes on agricultural produce, when of long standing, either do not ruse the price of food and lower profits at all, or if at all, not in proportion to the tax, yet the abrogation of such taxes, when they exist, does not the less diminish price, and, in general, raise the rate of profit. The abelition of a tithe takes one tenth from the cost of production, and consequently from the price, of all agricultural produce, and unless it

permanently raises the labourer's requirements, it lowers the cost of labour. and raises profits Rent, estimated in money or in commodities, generally remains as before, estimated in agricultural produce, it is raised country adds as much by the repeal of a title, to the margin which intervenes between it and the stationary state, as is cut off from that margin by a tithe when first imposed Accumulation is greatly accelerated, and if population also mereases, the price of cern numer diately begins to recover itself, and rent to rise, thus gralually transferring the benefit of the remission, from the consumer to the inndierd.

The effects which thus result from abolishing title, result equally from what has been done by the arrange ments under the Commutation Act iv converting it into a rent-charge. When the tax, instead of being levied on the whole produce of the soil, is levied only from the portions which pay ient, and does not touch any fresh extension of cultivation, the tax no longer forms any part of the cost of production of the portion of the produce which regulates the price of all the rest fland or capital which pays no rent, can now send its produce to market one tenth cheaper. The commutation of tithe ought therefore to have produced a considerable fall in the average price of corn If it had not come so gradu ally into operation, and if the price of corn had not during the same period been under the influence of several other causes of change, the effect would probably have been markedly conspicuous As it is, there can be no doubt that this circumstance has had its share in the fall which has taken place in the cost of production and in the price of home grown produce, though the effects of the great agricultural improvements which have been simul taneously advancing, and of the free admission of agricultural produce from foreign countries, have masked those of the other cause. This fall of price would not in itself have any tendency injurious to the landlord, since corn rents are increased in the same ratio in which the price of corn is diminished

But neither does it in any way tend to increase his income. The reat charged there is a dead to set him at the expirution of creating has a suid the commutation of the was not a mere alteration in the mode in which the landlord here an existing both in, but the impositive of a new one, relief being afforded to the consumer at the expense of the landlord, who, he ever, begins immediated to the relief to relief being afforded to the consumer at the expense of the landlord, who, he ever, begins immediated to relief to our ever page in indemnation at the consumers expense, by the impulse given to accuratation and population.

\$5 We have bitherto inquired into the effects of taxes on no amorbities, on the assumption that they are level of importantly on every mode in which the commedity can be preduced or brought; to market. Another class of cens demotions is opened, if we suppose that this importantly is not maintained, and that the tax is imposed, not on the commedity, but on some particular.

mode of obtaining it

Suppose that a commodity is capable of being made by two different processes, as a manufactured commodity may be produced either by hand or by steam por er, sugar may be made either from the sugar-cane or from beet root, cattle fattened either on hav and green crops, or on oil cake and the refuse of braweries It is the interest! of the community, that of the two methods, producers should adopt that which produces the best article at the lowest price. This being also the in terest of the producers, unless protected against competition, and shielded from the penalties of indolence, the process most advantageous to the community is that which, if not interfered with by government, they ultimately find it to their advantage to adopt sa qqu2 however that a tax is laid on one of the processes, and no tax at all, or one of smaller amount, on the other If the taxed process is the one which the producers would not have adopted, the measure is simply nugator, the tax falls, as it is of course intended to do, upon the one which they would have adopted, it creates an artificial

motive for preferring the untaxed process, though the inferior of the two If, therefore, it has any effect at all, it causes the commodity to be produced fof worse quality, or at a greater expense of labour, it causes so much of the labour of the community to be wasted, and the capital employed in supporting and remunerating that labour to be expended as uselessly, as if it were spent in hiring men to dig holes and all them up again waste of labour and capital constitutes an addition to the cost of production of the commodity, which raises its value and price in a corresponding ratio, and thus the owners of the capital are in demnified The loss falls on the consumers, though the capital of the country is also eventually diminished. by the diminution of their means of saving, and in some degree, of their inducements to save

The kind of tax, therefore, which comes under the general denomination of a discriminating duty, transgresses the rule that taxes should take as little as possible from the tax payer beyond what they bring into the treasury of the state A discriminating duty makes the consumer pay two distinct taxes, only one of which is paid to the government, and that frequently the less onerous of the two If a tax were laid on sugar produced from the cane, leaving the sugar from beet-root un taxed, then in so far as cane sugar continued to be used, the tax on it would be paid to the treasury, and might be as unobjectionable as most other taxes, but if cane sugar, having previously been cheaper than best root sugar, was now dearer, and beet-root sugar was to any considerable amount substituted for it, and fields laid out and manufactories established in consequence, the government would gain no revenue from the beet-root sugar, while the consumers of it would pay a real tax They would pay for beet-root sugar more than they had previously paid for cane sugar, and the difference would go to indemnify producers for a portion of the labour of the country actually thrown away, in producing by the labour of (say) three hundred men,

what could be obtained by the other process with the labour of two hundred

One of the commonest cases of discriminating duties, is that of a tax on the importation of a commodity capa ble of being produced at home, unaccompanied by an equivalent tax on the home production A commodity is never permanently imported, unless it can be obtained from abroad at a smaller cost of labour and capital on the whole, than is necessary for producing it If, therefore, by a duty on the importation, it is rendered cheaper to produce the article than to import it, an extra quantity of labour and capital is expended, without any extra The labour is useless, and the capital is spent in paying people for laboriously doing nothing. All custom duties which operate as an encourage ment to the home production of the taxed article, are thus an emmently wasteful mode of raising a revenue

This character belongs in a peculiar degree to custom duties on the produce of land, unless countervailed by excise duties on the home production taxes bring less into the public trea sury, compared with what they take from the consumers, than any other imposts to which civilized nations are usually subject If the wheat produced in a country is twenty millions quarters, and the consumption twenty-one millions, a million being annually imported, and if on this million a duty is laid which raises the price ten shillings per quarter, the price which is raised is not that of the milion only, but of the whole twenty-one millions Taking the most favourable, but extremely improbable supposition, that the importation is not at all checked, nor the home pro duction cularged, the state gains a revenue of only half a million, while the consumers are taxed ten millions and a half the ten millions being a contribution to the home growers, who are forced by competition to resign it all to the landlords The consumer thus pays to the owners of land an additional tax, equal to twenty times that which he pays to the state us now suppose that the tax really

Suppose importachecks importation tion stopped altogether in ordinary years, it being found that the million of quarters can be obtained, by a more elaborate cultivation, or by breaking up inferior land, at a less advance than ten shillings upon the previous price -bay, for instance, five shillings a The revenue new obtains quarter nothing, except from the extraordinary imports which may happen to take place in a season of scarcity But the consumers pay every year a tax of five shillings on the whole twenty one millions of quarters, amounting to 5‡ Of this the odd millions sterling goes to compensate the 250,000*l* growers of the last million of quarters for the labour and capital wasted under the compulsion of the law The remaining five millions go to enrich the landlords as before

Such is the operation of what are feechnically termed Corn Laws, when first laid on, and such continues to be their operation, so long as they have any effect at all in rusing the price of com But I am by no means of opinion that in the long run they keep up either prices or rents in the degree which these considerations might lead us to suppose What we have said respecting the effect of tithes and other taxes on agricultural produce, applies in a great degree to corn laws they anticipate artificially a rise of price and of rent, which would at all events have taken place through the increase of population and of produc-The difference between a country without corn laws, and a country which has long had corn laws, is not so much that the last has a higher price or a larger rental, but that it has the same price and the same rental with a smaller aggregate capital and a smaller popu-The imposition of corn laws raises rents, but retards that progress of accumulation which would in no long period have rused them fully as The repeal of corn laws tends to lower rents, but it uncliains a force which, in a progressive state of capital and population, restores and even in creases the former amount There 18 every reason to expect that under the

virtually free importation of agricultural produce, at last exterted from the ruling powers of this country, the price of food, if population goes on increasing, will gradually but steadily rise, though this effect may for a time be postponed by the strong current which in this country has set in (and the impulse is extending itself to other countries) towards the improvement of agricultural science, and its increased application to practice

What we have said of duties on im portation generally, is equally appli cable to discriminating duties which favour importation from one place or in one particular mauner, in contradissuch as the pre tinction to others ference given to the produce of a colony, or of a country with which there is a commercial treaty or the higher duties formerly imposed by our navigation laws on goods imported in other than Whatever else may British shipping be alleged in favour of such distinc tions, whenever they are not nugatory, they are economically wasteful. They induce a resort to a more costly mode of obtaining a commodity, in lieu of one less costly, and thus cause a por tion of the labour which the country employs in providing itself with foreign commodities, to be sacrificed without return

§ 6 There is one more point, re lating to the operation of taxes on commodities conveyed from one coun try to another, which requires notice the influence which they exert on in] ternational exchanges Every tax on a commodity tends to raise its price, and consequently to lessen the demand for it in the market in which it is sold. All taxes on international trade tend? therefore, to produce a disturbance and readjustment of what we have termed the Isquation of International Demand. This consideration leads to some rather curious consequences, which have been pointed out in the separate essay on International Commerce, already soveral times referred to in this treatise

Taxes on foreign trade are of two kinds—taxes on imports, and on exports On the first aspect of the

matter it would seem that both these taxes are paid by the consumers of the commodity, that taxes on exports consequently fall entirely on foreigners, taxes on imports wholly on the home consumer. The true state of the case, however, is much more complicated.

"By taxing exports, we may, in certain circumstances, produce a division of the advantage of the tride more favourable to ourselves. In some cases we may draw into our coffers, at the expense of foreigners, not only the whole tax, but more than the tax in other cases, we should gain exactly the tax, in others, less than the tax. In this linst case, a part of the tax is borne by ourselves possibly the whole, possibly even, as we shall show, more than the whole."

Reverting to the supposititious case employed in the Essay, of a trade be tween Germany and England in broad cloth and linen, "suppose that England taxes her export of cloth, the tax not being supposed high enough to induce Germany to produce cloth for herself The price at which cloth can be sold in Germany is augmented by the tax This will probably diminish the quan triy consumed. It may diminish it so much that, even at the increased price, there will not be required so great a money value as before Or it may not diminish it at all, or so little, that in consequence of the higher price, a greater money value will be purchased In this last case, Eng than before land will gain at the expense of Germany, not only the whole amount of the duty, but more, for, the money value of her exports to Germany being increased, while her imports remain the same, money will flow into England The price of cloth from Germany will rise in England, and consequently in Germany, but the price of linen will fall in Germany, and consequently in England. We shall export less cloth, and import more linen, till the equilibrium is restored. It thus appears (what is at first sight somewhat remarkable) that by taxing her exports, England would, in some concervable circumstances, not only gain from her foreign customers the whole amount of I the tax, but would also get her imports cheaper. She would get them cheaper in two ways, for she would obtain them for less money, and would have more money to purchase them with. Germany, on the other hand, would suffer doubly she would have to pay for her cloth a price increased not only by the duty, but by the influx of money into England, while the same change in the distribution of the circulating medium would leave her less money to purchase it with

"This, however, is only one of three possible cases If, after the imposition of the duty, Germany requires so di minished a quantity of cloth, that its total value is exactly the same as be fore, the balance of trade would be undisturbed. England will gain the duty, Germany will lose it, and nothing more If, again, the imposition of the duty occasions such a falling off in the de mand that Germany requires a less pecuniary value than before, our exports will no longer pay for our im ports, money must pass from England into Germany, and Germany's share of the advantage of the trade will be increased. By the change in the distribution of money, cloth will fall in England, and therefore it will, of course, fall in Germany Thus Germany will not pay the whole of the From the same cause, linen will rise in Germany, and consequently in When this alteration of England prices has so adjusted the demand. that the cloth and the linen again pay for one another, the result is that Germany has paid only a part of the tax and the remainder of what has been received into our treasury has come in directly out of the pockets of our own consumers of linen, who pay a higher price for that imported commodity in consequence of the tax on our exports, while at the same time they, in con sequence of the efflux of money and the fall of prices, have smaller money incomes wherewith to pay for the linen at that advanced price

"It is not an impossible supposition that by taxing our exports we might not only gain nothing from the foreigner, the tax being paid out of our

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own pockets, but might even compel | our own people to pay a second tax to the foreigner Suppose, as before, that the demand of Germany for cloth falls off so much on the imposition of the duty, that she requires a smaller money value than before, but that the case is so different with linen in England, that when the price rises the demand either does not fall off at all, or so little that the money value required is greater The first effect of laying than before on the duty 18, as before, that the cloth exported will no longer pay for the linen Money will therefore flow imported out of England into Germany effect is to raise the price of linen in Germany, and consequently in Eng But this, by the supposition, instead of stopping the effinx of money, only makes it greater, because the higher the price, the greater the money value of the linen consumed lance, therefore, can only be restored by the other effect, which is going on at the same time, namely, the fall of cloth in the English and consequently in the German market Even when cloth has fallen so low that its price with the duty is only equal to what its price without the duty was at first, it is not a nec seary consequence that the fall will stop, for the same amount of exportation as before will not now sufa e to pay the increased money value of the imports, and although the German consumers have now not only cloth at the old price, but likewise increased mo cy neomes, it is not certain that they will be inclined to employ the in crease of their meanes in increasing their purchases of cloth The price of c'o h, therefore must perhaps fall, to restore the equilibrium, more than the while amount of the daty, Germany may be enabled to import cloth at a loner prie when it is tax id, than when it was untaxed and this cam she will acquire at the expense of the Inglish consumers of him who, in addition, will be the real payers of the while of what is received at their own custom I me reder the near of duties on the export of cloth "

It is almost non-recessary to remark as d to have been occasionally sol that cloth and linen are here merely for an much as its weight in silver

representatives of exports and imports in general, and that the effect which a tax on exports might have in increasing the cost of imports, would affect the imports from all countries, and not peculiarly the articles which might be imported from the particular country to which the taxed exports were sent

"Such are the extremely various effects which may result to ourselves and to our customers from the imposi tion of taxes on our exports, and the determining circumstances are of a nature so imperfectly ascertainable, that it must be almost impossible to decide with any certainty, even after the tax has been imposed, whether we have been gamers by it or losers" In general, however, there could be little doubt that a country which imposed such taxes would succeed in making foreign countries contribute something to its revenue, but unless the taxed article be one for which their demand is extremely urgent, they will seldom pay the whole of the amount which the tax brings in # "In any case, whatever, we gain is lost by somebody else, and there is the expense of the collection besides if international morality. therefore, were rightly understood and acted upon, such taxes, as being contrary to the universal weal, would not exist."

Thus far of duties on exports We now proceed to-the more ordinary case of duties on imports "We have had an example of a tax on exports, that is, on foreigners, falling in part on ourselves. We shall therefore not be surprised if we find a tax on imports, that is, on ourselves, partly falling upon foreigners

Instead of taxing the cloth which we export, suppose that we tax the linen which we import. The duty which we are now supposing must not be what is termed a protecting duty,

^{*} Probably the strongest known instance of a large recenue raised from foreigners by a tax on exports, is the opum trade with Chira. The high price of the article under the Government monopoly (which is equivalent to a high export duty) has so hitheeffect in discouraging its consumption, that it is said to have been occalionally sold in China for as much as its march is in the consumption.

that is, a duty sufficiently high to induce us to produce the article at home. If it had this effect, it would destroy entirely the tride both in cloth and in linen, and both countries would lose the whole of the advantage which they previously gained by exchanging those commodities with one another. We suppose a duty which might dimnish the consumption of the article, but which would not prevent us from continuing to import, as before, whatever linen we did consume.

"The equilibrium of trade would be disturbed if the imposition of the tax diminished, in the slightest degree, the quantity of linen consumed the tax is levied at our own custom house, the German exporter only receives the same price as formerly, though the English consumer pays a higher one If, therefore, there be any diminution of the quantity bought, al though a larger sum of money may be actually laid out in the article, a smaller one will be due from England to Germany this sum will no longer be an equivalent for the sum due from Germany to England for cloth, the balance therefore must be paid in money Prices will fall in Germany and rise in England, linen will fall in the German market, cloth will rise in the English The Germans will pay a higher price for cloth, and will have smaller money incomes to buy it with, while the Eng hish will obtain linen cheaper, that is, its price will exceed what it proviously was by less than the amount of the duty, while their means of purchasing it will be increased by the increase of their money incomes

"If the imposition of the tax does not diminish the demand, it will leave the trade exactly as it was before. We shall import as much, and export as much, the whole of the tax will be paid out of our own pockets."

"But the imposition of a tax on a commodity almost always diminishes the demand more or less, and it can never, or scarcely ever, increase the demand. It may, therefore, be laid down as a principle, that a tax on imported commodities, when it really operates as a tax, and not as a prohi-

bition either total or partial, almost al ways falls in part upon the foreigners, who consume our goods, and that this is a mode in which a nation may appropriate to itself, at the expense of foreigners, a larger share than would otherwise belong to it of the increase in the general productive ness of the labour and capital of the world, which results from the interchange of commodities among nations"

Those are, therefore, in the right who maintain that taxes on imports are partly paid by foreigners, but they are mistaken when they say, that it is by the foreign producer. It is not on the person from whom we buy, but on all those who buy from us, that a portion of our custom duties spontaneously falls. It is the foreign consumer of our exported commodities, who is obliged to pay a higher price for them because we maintain revenue duties on foreign

goods

There are but two cases in which duties on commodities can in any degree, or in any manner, fall on the pro-One is, when the article is a strict monopoly, and at a scarcity price The price in this case being only limited by the desires of the buyer, the sum obtained for the restricted supply being the utmost which the buyers would con sent to give rather than go without it, if the treasury intercepts a part of this, the price cannot be further raised to compensate for the tax, and it must be paid from the monopoly profits. A tax on rare and high priced wines will fall wholly on the growers, or rather, on the owners of the vineyards second case in which the producer sometimes bears a portion of the tax, is more important the case_of_duties on the produce of land or of mines These might be so high as to diminish materially the demand for the produce, and compel the abandonment of some of the inferior qualities of land or mines Supposing this to be the effect, the con sumers, both in the country itself and in those which dealt with it, would obtain the produce at smaller cost, and a part only, instead of the whole, of the duty would fall on the purchaser, who would be indemnified chiefly at the expense of the landowners or mine owners in the producing country

Duties on importation may, then, be divided "into two classes those which have the effect of encouraging some particular branch of domestic in dustry, and those which have not. The former are purely mischievous, both to the country imposing them, and to those with whom it trades. They prevent a saving of labour and capital, which, if permitted to be made, would be divided in some proportion or other between the importing country and the countries which buy what that country

does or might export "The other class of duties are those which do not encourage one mode of procuring an article at the expense of another, but allow interchange to take place just as if the duty did not exist, and to produce the eaving of labour which constitutes the motive to international, as to all other commerce this kind are duties on the importation of any commodity which could not by any possibility be produced at home, and daties not sufficiently high to counterlalance the difference of expence between the production of the article at home and its importation Of the money which is brought into the treasury of any country by taxes of this last description, a part only is paid by the people of that country, the remainder by the foreign consumers of their gools

"Nevertheless, this latter kind of taxes are in principle as ineligible as the former, though not precisely on the same ground. A projecting duty can never be a cause of gain, but always and necessarily of loss, to the country impacting it, just so far as it is efficactive to its cul. A non-protecting duty, on the contrivy would in most cases in a source of fain to the country imposing it, in so far as throwing part of its weight of its taxes upon other partie is a gain but it would be a

means which it could seldom be advisable to adopt, being so easily counteracted by a precisely similar proceeding on the other side

"If England, in the case already supposed, sought to obtain for herself more than her natural share of the advantage of the trade with Germany by imposing a duty upon linen, Ger many would only have to impose a duty upon cloth, sufficient to diminish the demand for that article about as much as the demand for linen had been diminished in England by the tax Things would then be as before, and each country would pay its own tax Unless, indeed, the sum of the two duties exceeded the entire advantage of the trade, for in that case the trade and its advantage, would cease en tirely

"There would be no advantage, therefore, in imposing duties of this' kind, with a view to gain by them in the manner which has been pointed out But when any part of the revenue is derived from taxes on commodities, these may often be as little objection able as the rest It is evident, too, that considerations of reciprocity, which are quite unessential when the matter in debate is a protecting duty, are of material importance when the repeal of duties of this other description is discussed. A country cannot be expected to renounce the power of taxing foreigners, unless foreigners will in return practise towards itself the same forbearance The only mode in which a country can save itself from being a loser by the revenue duties imposed by other countries on its commodities, is to impose corresponding revenue duties on theirs Only it must take care that] those duties be not so high as to exceed all that remains of the advantage of the trade, and put an end to importation altogether, causing the article to be either produced at home, or imported from another and a dearer

CHAPTER V

OP SOME OTHER TAXES

Besides direct taxes on in come, and taxes on consumption, the financial systems of most countries comprise a variety of miscellaneous imposts, not strictly included in either The modern European systems retain many such taxes, though in much less number and variety than semi barbarous governments which European influence has not yet reached In some of these, scarcely lany incident of life has escaped being inade an excuse for some fiscal exaction, hardly any act, not belonging to daily routine, can be performed by any one, without obtaining leave from some agent of government, which is only granted in consideration of a payment especially when the act requires the aid or the peculiar guarantee of a public authority In the present treatise we may confine our attention to such taxes as lately existed, or still exist, in countries usually classed as civilized

In almost all nations a considerable revenue is drawn from taxes on con-These are imposed in various forms One expedient is that of taxing the legal instrument which serves as evidence of the contract, and which is commonly the only evidence legally admissible In England, scarcely any contract is binding unless executed on stamped paper, which has paid a tax to government, and until very lately, when the contract related to property the tax was proportionally much beavier on the smaller than on the larger transactions, which is still true of some of those taxes There are also stamp duties on the legal instruments which are evidence of the fulfilment of contracts, such as acknowledgments of receipt, and deeds of release Taxes on contracts are not always levied by The duty on sales means of stamps by auction, abrogated by Sir Robert Peel, was an instance in point. The ! taxes on transfers of landed property, | in France, are another in England these are stamp-duties. In some countries, contracts of many kinds are not valid unless registered, and their registration is made an occasion for a tax.

Of taxes on contracts, the most important are those on the transfer of property, chiefly on purchases and sales 'laxes on the sale of consumable commodities are simply taxes on those If they affect only some commodities particular commodities, they raise the prices of those commodities, and are paid by the consumer If the attempt were made to tax all purchases and sales, which, however absurd, was for centuries the law of Spain, the tax, if it could be enforced, would be equivalent to a tax on all commodities, and would not affect prices if levied from the sellers, it would be a tax on profits, if from the buyers, a tax on consumption, and neither class could throw the burthen upon the other If confined to some one mode of sale, as for example by auction, it discourages recourse to that mode, and if of any material amount, prevents it from being adopted at all, unless in a case of emergency, in which case as the seller is under a necessity to sell, but the buyer under no necessity to buy, the tax falls on the seller, and this was the strongest of the objections to the auction duty it almost always fell on a necessitous person, and in the crisis of his necessities

Taxes on the purchase and sale of land are, in most countries, hable to the same objection. Landed property in old countries is seldom parted with, except from reduced circumstances, or some urgent need the seller, therefore, must take what he can get, while the buyer, whose object is an investment, makes his calculations on the interest which he can obtain for his money in other ways, and will not buy

if he is charged with a government tax on the transaction * It has indeed been objected, that this argument would not apply if all modes of permanent investment, such as the purchase of government securities, shares in joint-stock companies, mortgages, and the like, were subject to the same tax But even then, if paid by the buyer, it would be equivalent to a tax on interest if sufficiently heavy to be of any importance, it would disturb the e-tablished relation between interest and profit, and the disturbance would redress itself by a rise in the rate of interest, and a fall of the price of land and of all securities It appears to me, therefore, that the seller is the person by whom such taxes, unless under pocul ar circumstances, will generally

All taxes must be condemned which throw obstacles in the way of the sale of land, or other instruments of produc-Such sales tend naturally to noder the property more productive The seller, whether moved by necessity er charge is probably some one who is either without the means, or without the capacity, to make the most advantageous nee of the property for productive jurpo s while the buyer, on the other hand, is at any rate not needy, and is frequently both inclined and able to improve the property, since, as it is worth more to such a person than to any ciler, he is likely to offer the heliest I we kent All taxes, there he e, and all Mice lice and expenses, arrexed t sub contracts are deciof the decemental, especially in the es a clist l, the source of subsistence, and il orginelf undation of all wealth, en the im, overent of which, there for, ro risch depends. Too great fruit es carnot b even to enable for I to pass m'o the hands, and as

sume the modes of aggregation or division, most conductive to its productive-If landed properties are too large, alienation should be free, in order that they may be subdivided, if too small, in order that they may be All taxes on the transfer of landed property should be abolished. but, as the landlords have no claim to be relieved from any reservation which the state has hitherto made in its own favour from the amount of their rent, an annual impost equivalent to the average produce of these taxes should be distributed over the land generally, in the form of a land tax

Some of the taxes on contracts are very permicious, imposing a virtual penalty upon transactions which it ought to be the policy of the legislator to encourage Of this sort is the stamp duty on leases, which in a country of large properties are an essential condi tion of good agriculture, and the tax on insurances, a direct discouragement to prudence and forethought case of fire insurances, the tax was until lately in all cases, and still is in most cases, exactly double the amount of the premium of insurance on common risks, so that the person in suring is obliged by the government to pay for the insurance just three times the value of the risk If this tax existed in France, we should not see, as we do in some of her provinces, the plate of an insurance company on almost every cottage or hovel This, indeed, must be ascribed to the provident and calculating habits produced by the dissemination of property through the labouring class but a tax of so extravagant an amount would be a heavy drag upon any habits of providence

\$ 2 Nearly allied to the taxes on contracts are those on communication. The principal of these is the postage tax, to which may be added taxes on advertisements, and on newspapers, which are taxes on the communication of information.

The common mode of levying a taxion the conveyance of letters, is by making the government the sole authorized carrier of them, and demand

The sufferent in the fext requires and feather in the called formation in the called countries where the fault is owned in the land in portions. These the fault is the fault importance, nor in general an educate of local attainment, and seating parton with at a small advance on the recognition with the mention of buying a century and the dear not sequiring that earn on disadvance are of sequiring that earn on disadvance are obtained in relative to the checked types and bight a countries.

ling a monopoly price When this price is so moderate as it is in this country under the uniform penny postage, scarcely if at all exceeding what would be charged under the freest competition by any private company, it can hardly be considered as taxation. but rather as the profits of a business, whatever excess there is above the erdinary profits of stock being a fair result of the saving of expense, caused by having only one establishment and one set of arrangements for the whole country, instead of many competing ones. The business, too, being one which both ern and ought to be conducted on fixed rules, is one of the few businesses which it is not unsuitable to a government to conduct The post office, therefore, is at present one of the best of the sources from which this country derives its revenue postage much exceeding what would be paid for the same service in a system of freedom, 14 not a desirable tax chief weight falls on letters of business, and increases the expense of mercan tile relations between distant places It is like an attempt to raise a large revenue by heavy tolls—it obstructs all operations by which goods are conveyed from place to place, and discourages the production of commodities in one place for consumption in an other, which is not only in itself one of the greatest sources of economy of labour, but is a necessary condition of almost all improvements in production, and one of the strongest stimulants to industry and promoters of civilization

A tax on advertisements is not free from the same objection, since in whatever degree advertisements are useful to business, by facilitating the coming together of the dealer or producer and the consumer, in that same degree, if the tax be high enough to be a serious discouragement to advertising, it prolongs the period during which goods remain unsold, and capital locked up

A tax on newspapers is objection able, not so much where it does fall as where it does not, that is, where it prevents newspapers from being used. To the generality of those who buy

them, newspapers are a luxury which they can as well afford to pay for as any other indulgence, and which is as unexceptionable a source of revenue But to that large part of the commumity who have been taught to read, but have received little other intellectual education, nowspapers are the source of nearly all the general information which they possess, and of nearly all their acquaintance with the ideas and topics current among mankind, and an interest is more easily excited in newspapers, than in books or other more recondite sources of instruction Newspapers contribute so little, in a direct way, to the origination of useful ideas, that many persons undervalue the importance of their office in disseminating them They correct many prejudices and superstitions, and keep up a habit of discussion, and interest in public concorns, the absence of which is a great cause of the stagnation of mind usually found in the lower and middle, if not in all, ranks, of those countries where newspapers of an important or interesting character do not There ought to be no taxes which render this great diffuser of information, of mental excitement, and mental exercise, less accessible to that portion of the public which most needs to be carried into a region of ideas and interests beyond its own limited horizon.

In the enumeration of bady taxes, a conspicuous place must be assigned to law taxes, which extract a revenue for the state from the various operations involved in an application Like all needless to the tribunals expenses attached to law proceedings, they are a tax on redress, and therefore a premium on injury Although such taxes have been abolished in this country as a general source of revenue, they still exist in the form of fees of court, for defraying the expense of the courts of justice, under the idea, apparently, that those may fairly be required to bear the expenses of the administration of justice, who reap the The fallacy of this docbenefit of it trine was powerfully exposed by Ben-

As he remarked, those who are under the necessity of going to law, are those who benefit least, not most, by the law and its administration them the protection which the law affords has not been complete, since they have been obliged to resort to a court of justice to ascertain their rights, or maintain those rights against in while the remainder of fringement the public have enjoyed the immunity from murr conferred by the law and the tribunals, without the inconveni ence of an appeal to them

Besides the general taxes of the State, there are in all or most scountries local taxes, to defriv any expenses of a public nature which it is thought best to place under the control for management of a local authority Some of these expenses are incurred for purposes in which the particular locality is solely or chiefly interested, as the paying, cleansing, and lighting of the streets, or the making and repairing of roads and bridges, which may be important to people from any part of the country, but only in so far as ther, or goods in which they have an interest, pass along the roads or over the bridges In other cases again. the expenses are of a kind as nationelly important as any others, but are de fraved locally by cause supposed more likely to be well administered by local below as, in England, the relief of tl + poor and the support of gaols, and in some other countries, of schools To decide for what public objects local sup-natea ency is best suited, and what are those which should be kept in odia ele under the central govern ment, or under a mixed existem of local mangement and cratral superintend ence is a question not of political econicy but of administration. It is an important principle, however, that taxes impared by a local authority. being he's amonal to to pullicity and discuss in then the acts of the govern healt election of any ala the stand-laid en for some d finite s rvice, and not

in rendering the service. Thus limited, it is desirable, whenever practicable, that the burthen should fall on those to whom the service is rendered, that the expense, for instance, of roads and bridges, should be defrayed by a toll on passengers and goods conveyed by them, thus dividing the cost between those who use them for pleasure or convenience, and the consumers of the goods which they enable to be brought to and from the market at a diminished expense When, however, the tolls have repaid with interest the whole of the expenditure, the road or bridge should be thrown open free of toll, that it may be used also by those to whom, unless open gratuitously, it would be valueless, provision being made for repairs either from the funds the state, or by a rate levied on the localities which reap the principal benefit

In England, almost all local taxes are direct, (the coal duty of the City of London, and a few similar imposts, being the chief exceptions.) though the greatest part of the taxation for general purposes is indirect On the con trary, in France, Austria, and other countries where direct taxation is much more largely employed by the state, the local expenses of towns are princi pally defrayed by taxes levied on commodities when entering them indirect taxes are much more objectionable in towns than on the frontier, because the things which the country supplies to the towns are chiefly the necessaries of life and the materials of manufacture, while of what a country imports from foreign countries, the greater part usually consists of luxumes An octroi cannot produce a large revenue, without pressing severely upon the labouring classes of the towns, unless their wages rise proportionally, in which case the tax falls in a great measure on the consumers of town produce, whether residing in town or country, since capital will not remain in the towns if its profits fall below their ordinary proportion as compared exceed ngt's expense actually incurred | with the rural districts.

CHAPTER VI.

COMPARISON BETWEEN DIRECT AND INDIRECT TAXATION

Are direct or indirect taxes the most eligible? This question, at all times interesting, has of late excited a considerable amount of discussion In England there is a popular feeling, of old standing, in favour of indirect, for it should rather be said in opposition The feeling is not . to direct, taxation grounded on the ments of the case, and An Englishman is of a puerile kind dislikes, not so much the payment as the act of paying He dislikes seeing the face of the tax-collector, and being subjected to his peremptory demand. Perhaps, too, the money which he is required to pay directly out of his pocket is the only taxation which he is quite sure that he pays at all That a tax of one shilling per pound on tea, or of two shillings per bottle on wine, raises the price of each pound of tea and bottle of wine which he consumes, by that and more than that amount, cannot indeed be denied, it is the fact, and is intended to be so, and he him self, at times, is perfectly aware of it, out it makes hardly any impression on bis practical feelings and associations, serving to illustrate the distinction between what is merely known to be true The unand what is felt to be so popularity of direct taxistion, contrasted with the easy manner in which the public consent to let themselves be fleeced in the prices of commodities, has generated in many friends of im provement a directly opposite mode of They conthinking to the foregoing tend that the very reason which makes direct taxation disagreeable, makes it Under it, every one knows lpreferable how much he really pays, and if he votes for a war, or any other expensive national luxury, he does so with his eyes open to what it costs him If all taxes were direct, taxation would be much more perceived than at present, and there would be a security which

now there is not, for economy in the

Although this argument is not without force, its weight is likely to be constantly diminishing The real incidence of indirect taxation is every day more generally understood and more familiarly recognised and what ever else may be said of the changes which are taking place in the tendencies of the human mind, it can scarcely, I think, be denied, that things are more and more estimated according to their calculated value, and less according to their non-essential accompaniments The mere distinction between paying ? money directly to the tax-collector, and contributing the same sum through the intervention of the tea-dealer or the wine merchant, no longer makest the whole difference between dislike or opposition, and passive acquiescence But further, while any such infirmity of the popular mind subsists, the argument grounded on it tells partly on the other side of the question. our present revenue of about seventy millions were all raised by direct taxes, an extreme dissatisfaction would certainly arise at having to pay so much, but while men's minds are so little guided by reason, as such a change of feeling from so irrelevant a cause would imply, so great an aver sion to taxation might not be an unqualified good Of the seventy millions in question, nearly thirty are pledged. under the most binding obligations, to those whose property has been bor rowed and spent by the state while this debt remains unredeemed, a greatly increased impatience of taxation would involve no little danger of a breach of faith, similar to that which, in the defaulting states of America, has been produced, and in some of them still continues, from the same cause That part, indeed, of the

public expenditure, which is devoted to the maintenance of civil and mili tary establishments, (that is, all ex cept the interest of the national debt) affords, in many of its details, ample scope for retrenchment But while much of the revenue is wasted under the mere pretence of public service, so much of the most important business of government is left undone, that whatever can be rescued from useless expenditure is urgently required for useful Whether the object be educa tion, a more efficient and accessible administration of justice, reforms of any kind which, like the Slave Eman cipation, require compensation to indi vidual interests, or what is as im portant as any of these, the entertain ment of a sufficient staff of able and sducated public servants, to conduct in a better than the present awkward manner the business of legislation and administration, every one of these things implies considerable expense, and many of them have again and again been prevented by the reluctance which existed to apply to Parhament for an increased grant of public money, though (besides that the existing means would be more than sufficient if applied to the proper purposes) the cost would be repaid, often a hundred fold, in mere pecuniary advantage to the community generally If so great an addition were made to the public dislike of taxation as might be the consequence of confining it to the direct form, the classes who profit by the misapplication of public money might p obably succeed in saving that by which they profit, at the expense of that which would only be useful to the public

There is, however, a frequent plea in support of indirect taxation, which must be altogether rejected, as grounded, on a fallacy. We are often told that taxes on commodities are less burthen some than other taxes, because the contributor can escape from them by censing to use the taxed commodity. He certainly can, if that be his object, deprive the government of the money, but he does so by a sacrifice of his own indulgences, which (if he chose to

undergo it) would equally make up to him for the same amount taken from him by direct taxation Suppose a tax laid on wine, sufficient to add five pounds to the price of the quantity of wine which he consumes in a year. He has only (we are told) to diminish his consumption of wine by δl , and he escapes the burthen True but if the 51, instead of being laid on wine, had been taken from him by an income tax, he could, by expending 51 less in wine, equally save the amount of the tax, so that the difference between the two cases is really illusory If the government takes from the contributor five pounds a year, whether in one way or another, exactly that amount must be retrenched from his consumption to leave him as well off as before, and in either wav the same amount of sacrifice, neither more nor less, 1s imposed on him

On the other hand, it is some add vantage on the side of indirect taxes, that what they exact from the con tributor is taken at a time and in a manner likely to be convenient to him It is paid at a time when he has at any rate a payment to make, it causes, therefore, no additional trouble, nor (unless the tax be on necessaries) any inconvenience but what is inseparable from the payment of the amount. can also, except in the case of very perishable articles, select his own time for laying in a stock of the commodity, and consequently for payment of the The producer or dealer who ad vances these taxes, is, indeed, some times subjected to inconvenience, but, in the case of imported goods, this in convenience is reduced to a minimum by what is called the Warehousing System, under which, instead of paying the duty at the time of importation, he is only required to do so when he takes out the goods for consumption, which is seldom done until he has either actually found, or has the prospect of ımmediately finding, a purchaser

The strongest objection, however, to raising the whole or the greater part of a large revenue by direct taxes, is the impossibility of assessing them fairly without a conscientious co-operation on the part of the contributors,

not to be hoped for in the present low state of public morality In the case of an income-tax, we have already scen that unless it be found practicable to exempt savings altogether from the tax, the burthen cannot be apportioned with any tolerable approach to fairness upon those whose incomes are derived from business or professions, and this is in fact admitted by most of the advocates of direct taxation, who, I am afraid, generally get over the diffi culty by leaving those classes untaxed, and confining their projected income tax to "realized property," in which form it certainly has the merit of being a very easy form of plunder But enough has been said in condemnation of this expedient. seen, however, that a house-tax is a form of direct taxation not liable to the same objections as an income-tax, and indeed liable to as few objections of any kind as perhaps any of our indirect taxes But it would be impossible to raise, by a house-tax alone, the greatest part of the revenue of Great Britain, without producing a very objectionable over-crowding of the popu lation, through the strong motive which all persons would have to avoid the tax by restricting their house accommodation Besides, even a house tax has inequalities, and consequent injustices, no tax is exempt from them, and it is neither just nor politic to make all the mequalities fall in the same places, by calling upon one tax to defray the whole or the chief part So much of the public expenditure of the local taxation, in this country, being already in the form of a house tax, it is probable that ten millions a year would be fully as much as could beneficially be levied, through this medium, for general purposes

A certain amount of revenue may, as we have seen, be obtained without injustice by a peculiar tax on rent. Besides the present land tax, and an equivalent for the revenue now derived from stamp duties on the conveyance of land, some further taxation might, I have contended, at some future period be imposed, to enable the state to participate in the progressive in

crease of the incomes of landlords from natural causes Legacies and inheritances, we have also seen, ought to be subjected to taxation sufficient to yield a considerable revenue With these taxes, and a house tax of suitable amount, we should, I think, have reached the prudent limits of direct taxation, save in a national emergency so urgent as to justify the government in disregarding the amount of inequality and unfairness which may ultimately be found inseparable from an income tax The remainder of the revenue would have to be provided by taxes on consumption, and the question is, which of these are the least objectionable

There are some forms of indirect taxation which must be peremptorily excluded Taxes on commodities, for revenue purposes, must not operate as protecting duties, but must be levied impartially on every mode in which the articles can be obtained, whether produced in the country itself, or imported An exclusion must also be put upon all taxes on the necessames of life, or on the materials or instruments employed in producing Such taxes are those necessaries always hable to encroach on what should be left untaxed, the incomes barely sufficient for healthful existence, and on the most favourable supposition, namely, that wages rise to compensate the labourers for the tax, it operates as a peculiar tax on profits, which is at once unjust, and detrimental to national wealth * What remain are taxes on luxuries these have some properties which

* Some argue that the materials and instruments of all production should be exempt from taxation; but these, when they do not enter into the production of necessaries, seem as proper subjects of taxation as the fluished article. It is chiefly with reference to foreign trade, that such taxes have been considered injurious. Internationally speaking, they may be looked upon as export duties, and, unless in cases in which an export duties, and, unless in cases in which an export duty is advisable, they should be accompanied with an equivalent drawback on exportation. But there is no sufficient reason against taxing the materials and matruments used in the production of anything which is itself a fit object of taxation.

strongly recommend them. In the first place, they can never, by any possibility, touch those whose whole income is expended on necessaries. while they do reach those by whom what is required for necessaries, is expended on indulgences In the next place, they operate in some cases as an useful, and the only useful, kind of sumptuary law I disclaim all asceti cism, and by no means wish to see discouraged, either by law or opinion, any indulgence (consistent with the means and obligations of the person using it) which is sought from a genuine incli nation for, and enjoyment of, the thing itself, but a great portion of the ex pense of the higher and middle classes in most countries, and the greatest in this, is not incurred for the sake of the pleasure afforded by the things on which the money is spent, but from regard to opinion, and an idea that certain expenses are expected from them, as an appendage of station. and I cannot but think that expendi 'ture of this sort is a most desirable subject of taxation. If taxation discourages it, some good is done, and if not, no harm, for in so far as taxes are levied on things which are desired and possessed from motives of this description, nobody is the worse for them When a thing is bought not for its use but for its costliness, cheapness is no recommendation. mondi remarks, the consequence of cheapening articles of vanity, is not that less is expended on such things, but that the buyers substitute for the cheapened art.cle some other which is more costly, or a more elaborate quality of the same thing, and as the inferior quality answered the purpose of vanity equally well when it was equally expensive, a tax on the article is really paid by nobody it is a creation of public revenue by which nobody loses *

"Were we to suppose that diamonds could only be procured from one particular and distant country, and pearls from another, and were the produce of the mines in the former, and of the fishery in the latter, from the operation of natural causes, to become doubly difficult to procure, the effect would merely be that in time half the quantity of

In order to reduce as much as ! possible the inconveniences, and increase the advantages, incident to taxes on commodities, the following are the practical rules which suggest 1st. To raise as large a) themselves revenue as conveniently may be, from those classes of luxuries which have most connexion with vanity, and least with positive enjoyment, such as the more costly qualities of all kinds of personal equipment and ornament. 2ndly Whenever possible, to demand the tax, not from the producer, but directly from the consumer, since when levied on the producer it raises the price always by more, and often by much more, than the mere amount of Most of the minor assessed diamonds and pearls would be sufficient to mark a certain opulence and rank, that it had before been necessary to employ for that purpose The same quantity of gold, or some commodity reducible at last to lubour, would be required to produce the now reduced amount, as the former larger amount Were the difficulty interposed by the regulamake no difference to the fitness of these articles to some tions of legislators articles to serve the purposes of vanity" Suppose that means were discovered whereby the physiological process which generates the pearl might be induced ad libitum, the result being that the amount of labour expended in procuring each pearl, came to be only the two hundredth part of what it was before. "The ultimate effect of such a change would depend on whether the fishery was free or not Were it free to all, as penris could be got simply for the labour of fishing for them, got simply for the insour or maning as a string of them might be had for a few pence. The very poorest class of society could therefore afford to decorate their persons with them. They would thus soon be come extremely vulgar and unfashionable and so at last valueless If however we sup pose that instead of the fishery being free the legislator owns and has complete com mand of the place, where alone pearls are to be procured, as the progress of discovery advanced, he might impose a duty on then equal to the diminution of labour necessar to procure them. They would then be a much esteemed as they were before Wha simple beauty they have would remain un The difficulty to be surmounted in order to obtain them would be different but equally great, and they would therefor equally serve to mark the opulence of thes who possessed them. The net revenue ob society snything If not abused in its application, it would be a clear addition of s much to the resources of the community "-Rue, New Principles of Political Economy pp 369-71

taxes in this country are recommended by both these considerations with regard to horses and carriages, as there are many persons to whom, from health or constitution, these are not so much luxumes as necessaries, the tax paid by those who have but one riding horse, or but one carriage, especially of the cheaper descriptions, should be low, while taxation should rise very rapidly with the number of horses and carriages, and with their cost-3rdly But as the only indirect taxes which yield a large revenue are those which fall on articles of universal or very general consump tion, and as it is therefore necessary to have some taxes on real luxurus. that is, on things which afford pleasure in themselves, and are valued on that account rather than for their cost, these taxes should, if possible, be so adjusted as to fall with the same proportional weight on small, on moderate, and on large incomes This is not an easy matter, since the things which are the subjects of the more productive taxes, are in proportion more largely consumed by the poorer members of the community than by the Tea, coffee, sugar, tobacco, fermented drinks, can hardly be so taxed, that the poor shall not bear more than their due share of the burthen Something might be done by making the duty on the superior qualities, which are used by the richer consumers, much higher in proportion to the value, (instead of much lower, as is almost universally the practice under the present English system), but in some cases the difficulty of at all adjusting the duty to the value, so as to prevent evasion, is said, with what truth I know not, to be insuperable, so that it is thought necessary to levy the same fixed duty on all the qualities a flagrant injustice to the poorer class of contributors, unless compensated by the existence of other taxes from which, as from the present mcome-tax, they are altogether exempt. 4thly As far as is consistent with the preceding rules, taxation should rather be concentrated on a few articles than diffused over many, in order that the

expenses of collection may be smaller and that as few employments as possible may be burthensomely and vexa tiously interfered with 5thly Amongs luxuries of general consumption, taxation should by preference attach itself to stimulants, because these, though in themselves as legitimate indulgences as any others, are more hable than most others to be used in excess, so that the check to consump-1 tion, naturally arising from taxation, is on the whole better applied to them than to other things 6thly As far as t other considerations permit, taxation should be confined to imported articles, to since these can be taxed with a less degree of veratious interference, and with fewer incidental bad effects, than when a tax is levied on the field or on the workshop Custom duties are. cateris paribus, much less objection able than excise but they must be laid only on things which either can not, or at least will not, be produced in the country itself, or else their production there must be prohibited (as in England is the case with tobacco,) or subjected to an excise duty of equivalent amount 7thly No tax ought to be kept so high as to furnish) a motive to its evasion, too strong to be counteracted by ordinary means of prevention and especially no commodity should be taxed so highly as to raise up a class of lawless characters, smugglers, illicit distillers, and the like

Of the excise and custom duties 7 lately existing in this country, all which are intrinsically unfit to form part of a good system of taxation, have, since the last reforms by Mr. Gladstone, been got rid of Among these are all duties on ordinary articles of food,* whether for human beings or for cattle, those on timber, as falling on the materials of lodging, which is one of the necessaries of life, all duties on the metals, and on implements made of them, taxes on soap, which is a necessary of cleanliness, and on tallow, the maternal both of that and of some other necessaries,

Except the shilling per quarter duty on corn, estensibly for registration, and scarcely felt as a burthen

the tax on paper, an undispensable instrument of almost all business and of most kinds of instruction duties which now yield nearly the whole of the customs and excise re venue, those on sugar collee, tea, wine, beer, spirits, and tobacco, are in themselves, where a large amount of revenue is necessary, extremely proper taxes, but at present grossly un just, from the disproportionate weight with which they press on the poorer classes, and some of them (those on spirits and tobacco) are so high as to cause a considerable amount of smug-It is probable that most of these taxes might bear a great reduction without any material loss of In what manner the finer articles of manufacture, consumed by the nch, might most advantageously

be taxed. I must leave to be decided by those who have the requisite practical knowledge The difficulty would be, to effect it without an inadmissible degree of interference with production In countries which, like the United States, import the principal part of the finer manufactures which they consume, there is little difficulty in the matter and even where nothing is imported but the raw material, that may be taxed, especially the qualities of it which are oxclusively employed for the fabrics used by the ncher class of consumers Thus, in Lugland a high custom duty on raw silk would be consistent with prip ciple, and it might perhaps be practicable to tax the iner qualities of cotton or linen yarn, whether spun in the country itself or imported.

CHAPTER VII.

OP A NATIONAL DEBY

The question must now be , considered, how far it is right or expedient to raise money for the purposes of government, not by laying on taxes to the amount required, but by taking a portion of the capital of the country in the form of a loan, and charging the public revenue with only the interest Nothing needs be said about providing for temporary wants by taking up money, for instance, by an usue of exchequer bills, destined to be paid off, at furthest in a year or two, from the proceeds of the existing taxes This is a convenient expedient, and when the government does not possess a ireasure or heard, is often a necessary one, on the occurrence of extraordinary expenses, or of a temporary failure in the ordinary sources of revenue What we have to discuss is the propriety of contracting a national debt of a per manent character, defraying the ex penses of a war, or of any season of difficulty, by loans, to be redeemed

either very gradually and at a distant

period, or not at all

This question has already been touched upon in the First Book * We remarked, that if the capital taken in loans is abstracted from funds either engaged in production, or destined to be employed in it, their diversion from that purpose is equivalent to taking the amount from the wages of the labouring classes Borrowing, in this case, is not a substitute for raising the supplies within the year A govern ment which borrows does actually take the amount within the year, and that too by a tax exclusively on the labouring classes than which it could have done nothing worse, if it had supplied its wants by avowed taxation, and in that case the transaction, and its evils, would have ended with the emergency, while by the circuitous mode adopted, the value exacted from the labourers is gained, not by the state, but by the Bupra, p 😃

employers of labour, the state remaining charged with the debt besides, and with its interest in perpetuity. The avision of public loans, in such circum stances, may be pronounced the very worst which, in the present state of civilization, is still included in the catalogue of financial expedients.

We however remarked that there are other circumstances in which loans are not chargeable with these pernicious consequences namely, first, twhen what is b reswed is foreign capiand, the overflowings of the general accumulation of the world, or, recordly when it is capital which either would not have been saved at all unless this mode of investment had been open to it, or after bing saved, would have been wasted in unp oductive enter prises, or sent to seek employment in foreign countries. When the progress of accumulation has reduced profits either to the ultimate or to the practical minimum,—to the rate, less than which would either put a stop to the increase of capital, or send the whole of the new accumulations abroad, government may annually intercept these new accumulations, without trem hing on the employment or unges ! of the labouring classes in the country itself, or perhaps in any other country To this extent, therefore, the loan system may be carried, without being liable to the utter and peremptory condemnation which is due to it when it overpasses this limit. What is wanted is an index to determine whether, in any given series of years, as during the last great war for example, the limit has been exceeded or not

such an index exists, at once a certain and an obvious one. Did the government, by its loan operations, inugment the rate of interest? If it only opened a channel for capital which would not otherwise have been accumulated, or which, if accumulated, would not have been employed within the country, this implies that the capital, which the government took and expended, could not have found employment at the existing rate of in terest. So long as the loans do no more than absorb this surplus, they

prevent any tendency to a fall of the a rate of interest, but they cannot occasion any rise When they do raise the 3 rate of interest, as they did in a most f extraordinary degree during the French; mar, this is positive proof that the goremment is a competitor for capital with the ordinary channels of product tive investment, and is carrying off, not merely funds which would not, but funds which would, have found productive employment within the country To the full extent, therefore, to which the loans of government, during the war, caused the rate of interest to ex ceed what it was before, and what it has been since, those loans are charge able with all the crils which have been described. If it be objected that in terest only rose because profits rose, I riply that this does not weaken, but strongthens, the argument If the government loans produced the rise of profits by the great amount of capital which they absorbed, by what means can they have had thus effect, unless by lowering the wages of labour? It will perhaps be said, that what kept profits high during the war was not the drafts made on the national camtal by the loans, but the rapid progress of in This, in a dustrial improvements great measure, was the fact, and it no doubt alleviated the hardship to the labouring classes, and made the finan cial system which was pursued less actively mischiolous, but not less con trary to principle These very im provements in industry, made room for a larger amount of capital, and the government, by draining away a great part of the annual accumulations, did not indeed prevent that capital from existing ultimately, (for it started into existence with great rapidity after the peace,) but prevented it from existing at the time, and subtracted just so much, while the war lasted, from distribution among productive labourers If the government had abstained from taking this capital by loan, and had allowed it to reach the labourers, but had raised the supplies which it required by a direct tax on the labouring classes, it would have produced (in every respect but the expense and in ;

convenience of collecting the inx) the very same economical effects which it did produce, except that we should not now have had the debt. The course it actually took was therefore worse than the very worst mode which it could possibly have adopted of raising the supplies within the year and the only exense, or justification, which it winnis of, (so far as that excuse could be truly pleaded) was hard necessity the impossibility of raising so chormons an annual sum by taxation, without resorting to taxes which from their odi ousness, or from the facility of evasion, it would have been found impracticable to enforce

When government loans are limited to the overflowings of the national capital, or to those accumulations which would not take place at all un less suffered to overflow, they are at least not liable to this grave condem nation they occasion no privation to any one at the time, except by the payment of the interest, and may even be beneficial to the labouring class during the term of their expenditure, by employing in the direct purchase of labour, as that of soldiers, sailors, &c, funds which might otherwise have quitted the country altogether this case therefore the question really 18, what it is commonly supposed to be in all cases, namely, a choice between a great sacrifice at once, and a small one indefinitely prolonged matter it seems rational to think, that the prudence of a nation will dictate the same conduct as the prudence of an individual, to submit to as much of the privation immediately, as can easily be borne, and only when any further burthen would distress or cripple them too much, to provide for the remainder by mortgaging their future It is an excellent maxim to ncome make present resources suffice for present wants, the future will have its own wants to provide for On the other hand, it may reasonably be taken into consideration that in a country increasing in wealth, the necessary expenses of government do not increase in the same ratio as capital or population, any burthen, therefore, is always

less and less felt and since these extrio dinary expenses of government which are fit to be incurred at all are mostly beneficial beyond the existing generation, there is no injustice in making posterity pay a part of the price, if the inconvenience would be extreme of deferring the whole of it by the exertions and exertices of the beneration which first incurred it.

When a country, wisely or; unwi ele, has burthened itself with a debt, is it expedient to take stops for ! redeeming that debt? In principle it is impossible not to maintain the al, firmative. It is true that the payment of the interest when the creditors are members of the same community, is no national loss, but a mere transfer The transfer, however, being compul sorv, is a scrious evil, and the raising a great extra revenue by any evetem of taxation necessitates so much expence, rexation, disturbance of the channels of industry, and other mischiefs over and above the mere par ment of the money wanted by the government, that to get rid of the necessity of such taxation is at all times worth a considerable effort. The same amount of sacrifice which would have been worth incurring to avoid contracting the debt at is worth while to mour, at any subsequent time, for the purpose of extinguishing it.

Two modes have been contemplated of paying off a national debt either at once by a general contribution or gradually by a surplus revenue first would be incomparably the best, if it were practicable, and it would be practicable if it could justly be done by assessment on property alone. If property bore the whole interest of the debt, property might, with great advantage to itself, pay it off, since this would be merely surrendering to a creditor the principal sum, the whole annual proceeds of which were already his by law, and would be equivalent to what a landowner does when he sells part of his estate, to free the remainder from a mortgage But pro perty, it needs hardly be said, does not pay, and cannot justly be required

to pay, the whole interest of the debt Some indeed affirm that it can, on the plea that the existing generation is only bound to pay the debts of its predecessors from the assets it has received from them, and not from the produce of its own industry But has no one received anything from previous generations except those who have succeeded to property? Is the whole difference between the earth as it is, with its cleanings and improvements, its roads and canals, its towns and manufactories, and the earth as it was when the first human being set foot on it, of no benefit to any but those who are called the owners of the Is the capital accumulated by the labour and abstinence of all former generations of no advantage to any but those who have succeeded to the legal ownership of part of it? And have we not inherited a mass of acquired knowledge, both scientific and empirical, due to the sagneity and industry of those who preceded us, the benefits of which are the common wealth of all? Those who are born to the ownership of property have, in addition to these common benefits, a separate inheritance, and to this difference it is right that advertence should be had in regulating taxation longs to the general financial system of the country to take due account of this principle, and I have indicated, as in my opinion a proper mode of taking account of it, a considerable tax on legacies and inheritances Let it be determined directly and openly what is due from property to the state, and from the state to property, and let the institutions of the state be regulated Whatever is the fitting accordingly contribution from property to the general expenses of the state, in the same, and in no greater proportion should it contribute towards either the interest or the repayment of the national debt.

This, however, if admitted, is fatal to any scheme for the extinction of the debt by a general assessment on the community Persons of property could pay their share of the amount by a sacrifice of property, and have the

same net income as before, but if those who have no accumulations, but only incomes, were required to make up by a single payment the equivalent of the annual charge laid on them by the taxes maintained to pay the interest of the debt, they could only do so by incurring a private debt equal to their share of the public debt, while, from the insufficiency, in most cases, of the security which they could give. the interest would amount to a much larger annual sum than their share of that now paid by the state Besides a collective debt defrayed by taxes, has over the same debt parcelled out among individuals, the immense ad vantage, that it is virtually a mutual insurance among the contributors the fortune of a contributor diminishes. his taxes diminish, if he is ruined, they cease altogether, and his portion of the debt is wholly transferred to the solvent members of the community If it were laid on him as a private obligation, he would still be hable to it even when penniless

When the state possesses property, in land or otherwise, which there are a not strong reasons of public utility for its retaining at its disposal, this should be employed, as far as it will go, in sextinguishing debt. Any casual gain, or godsend, is naturally devoted to the same purpose. Beyond this, the only mode which is both just and feasible, of extinguishing or reducing a na tional debt, is by means of a surplus revenue.

The desirableness, per se, of maintaining a surplus for this purpose does not, I think, admit of a doubt We sometimes, indeed, hear it said ; that the amount should rather be left to "fructify in the pockets of the people " This is a good argument, as far as it goes, against levying taxes unnecessarily for purposes of unproductive expenditure, but not against paying off a national debt For, what, is meant by the word fructify? If it? means anything, it means productive employment, and as an argument, against taxation, we must understand it to assert, that if the amount were

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left with the people they would rave I the court utors. It 15 it, and convert it into capital probable, indeed, that they would cave a part, but extremely improbable that they would give the whole while if taken by taxation, and employed in paying off debt, the whole is saved, and made productive To the fund holder who receives the payment it is already capital, not revenue, and he will make it "fructify," that it may continue to afford him an income The objection, therefore, is not only groundless, but the real argument is on the other side the amount is much more certain of fructifying if it is not "left in the pockets of the people"

It is not, however, advisable in all cases to maintain a surplus revenue for the extinction of debt The ad (vantage of paying off the national debt of Great Britain for instance, is that it would enable us to get rid of | the worse half of our taxation of this worse half some portions must be worse than others, and to get rid of those would be a greater benefit pro portionally than to get rid of the rest If renonneing a surplus revenue would enable us to dispense with a tax, we ought to consider the very worst of all our taxes as precisely the one which we are keeping up for the rake of ultimately abolishing taxes not so bad as itself. In a country advancing in wealth, whose increasing revenue gives it the power of ridding itself from time to time of the most inconvenient por tions of its taxation, I conceive that | the memeso of rovenue should rether be distant and of by taking off taxes, than by haudating dobt, as long as any very objectionable imposts remain. In the present state of England, therefore, I hold it to be good policy in the government, when it has a surplus of an apparently permanent character, to take off taxes, provided these are rightly selected. Even when no taxes remain but such as are not unfit to form part of a permanent system, it is wise to continue the same policy by experimental reductions of those taxes. until the point is discovered at which a given amount of revenue can be raised with the smallest pressure on [

Atter this, such sur plus revenue as might arres from any further increase of the produce of the taxes, should not I concerce, be remitted, but applied to the redemption of debt I ventually, it might be exprobent to appropriate the entire produce of particular taxes to this jur pose, since there would be more assurance that the liquidation would be persisted in if the find destined to it were lept apart, and not United with the general revenues of the state. The succession duties would be pecularly suited to such a purpose, since taxes paid as they are, out of caintal, would be letter employed in rimburing cap tal than in defraying current expenditure If this reparate appropriation were made any surplus afterwards arising from the increasing produce of the other taxes, and from the eaving of interest on the successive portions of debt paid off, might form a ground for a remircion of inxation

It has been contended that come; amount of national debt is desirable, and almost indispensable, as an investment for the rayings of the poorer or more mexperienced part of the community Its convenience in that respect is undeniable, but (besides that the progress of industry is gradu ally affording other modes of investment almost as exfo and untroublesome, such as the shares or obligations of great public companies) the only real superiority of an investment in the funds consists in the national guarantee, and this could be afforded by other means than that of a public debt, involving compulsory taxation One mode which would answer the purpose, would be a national bank of deport and discount, with ramifications throughout the country, which might receive any money confided to it, and either fund it at a fixed rate of interest, or allow interest on a floating balance, like the joint stock banks, the interest given being of course lower than the rate at which individuals can borrow, in proportion to the greater security of a government investment, and the expenses of the establishment being defrayed by the

difference between the interest which the bank would pay, and that which it would obtain, by lending its deposits on mercantile, landed, or other security. There are no insuperable objections in principle, nor, I should think, in practice, to an institution of this sort, as a means of supplying the same convenient mode of investment.

now afforded by the public funds. It would constitute the state a great insurance company, to insure that part of the community who live on the interest of their property, against the risk of losing it by the bankruptcy of those to whom they might otherwise be under the necessity of confiding it.

CHAPTER VIII.

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OF THE CHI-MARY PUNCTIONS OF GOVERNMENT, COMBIDERED AS TO THEIR ECONOMICAL EFFECTS

§ 1 Before we discuss the line of demarcation between the things with which government should, and those with which they should not, directly interfere, it is necessary to consider the economical effects, whether of a bad or of a good complexion, arising from the manner in which they acquit them selves of the duties which devolve on them in all societies, and which no one denies to be incumbent on them

The first of these is the protection of person and property There is no need to expatiate on the influence exercised over the economical interests of society by the degree of completeness with which this duty of govern ment is performed. Insecurity of person. and property, is as much as to say, un certainty of the connexion between all human exertion or sacrifice, and the attainment of the ends for the sake of which they are undergone It means, uncertainty whether they who sow shall reap, whether they who produce shall consume, and they who spare today shall enjoy to-morrow It means, not only that labour and frugality are not the road to acquisition, but that When person and property are to a certain degree insecure, all the possessions of the weak are at tne mercy of the strong No one can keep what he has produced, unless he is more capable of defending it, than others who give no part of their time

and exertions to useful industry are of The productive taking it from him classes, therefore, when the insecurity surpasses a certain point, being un equal to their own protection against the predatory population, are obliged to place themselves individually in a state of dependence on some member of the predatory class, that it may be his interest to shield them from all de predation except his own In this manner, in the Middle Ages, allodial, property generally became feudal, and numbers of the poorer freemen volun tarily made themselves and their pos i terity serfs of some military lord

Nevertheless, in attaching to this great requisite, security of person and property, the importance which is justly due to it, we must not forget that even for economical purposes there are other things quite as indispensable, the presence of which will often make up for a very considerable degree of imperfection in the protective arrangements of government. As was observed in a previous chapter,* the free cities of Italy, Flanders, and the Hanseatic league, were habitually in a state of such internal turbulence, varied by such destructive external wars, that person and property enjoyed very imperfect protection, yet during several centuries they increased rapidly in wealth and prosperity, brought many

* Supra, p 70 M M 2

of the industrial arts to a high degree ! of advancement, carried on distant and dangerous voyages of exploration and i commerce with extraordinary success, became an overmatch in power for the greatest feudal lords, and could defend themselves even against the sovereigns of Europe because in the midst of turmoil and violence, the citizens of those towns enjoyed a certain rude freedom, under conditions of union and co-operation, which, taken together, made them a brave, energetic, and high spirited people, and fostered a great amount of public spirit and patriotism. The prosperity of these and other free states in a lawless age, shows that a certain degree of in security, in some combinations of circumstances, has good as well as bad effects, by making energy and practical ability the conditions of safety Insecurity paralyzes, only when it is such in nature and in degree, that no energy, of which mankind in general are capable, affords any tolerable means of self-protection And this is a main reason why oppression by the govern ment, whose power is generally irre sistible by any efforts that can be made by individuals, has so much more baneful an effect on the springs of national prosperity, than almost any degree of lawlessness and turbulence under free institutions have acquired some wealth, and made some progress in improvement, in states of social union so imperfect as to border on anarchy but no coun tries in which the people were exposed without limit to arbitrary exactions from the officers of government, ever yet continued to have industry or wealth A few generations of such a government never fail to extinguish both Some of the fairest, and once the most prosperous, regions of the earth, have, under the Roman and afterwards under the Turkish domimon, been reduced to a desert, solely by that cause I say solely, because they would have recovered with the utmost rapidity, as countries always do, from the devastations of war, or any other temporary calamities Dıf-

an incentive to exertion what is fatal to it, is the belief that it will not be suffered to produce its fruits

§ 2 Simple overtaxation by government, though a great evil, is not comparable in the economical part of its mischiefs to exactions much more moderate in amount, which either subject the contributor to the arbitrary mandate of government officers, or are so laid on as to place skill, industry, and frugality at a disadvantage The burthen of taxation in our own country is very great, yet as every one knows its limit, and is seldom made to pay more than he expects and cal culates on, and as the modes of taxation are not of such a kind as much to impair the motives to industry and economy, the sources of prosperity are little diminished by the pressure of taxation, they may even, as some think, be increased, by the extra exertions made to compensate for the pressure of the taxes But in the barbarous despotisms of many countries of the East, where taxation consists in fastening upon those who have succeeded in acquiring something, in order to confiscate it, unless the pos sessor buys its release by submitting to give some large sum as a compromise, we cannot expect to find voluntary industry, or wealth derived from any source but plunder And even in comparatively civilized countries, bad modes of raising a revenue have had effects similar in kind, though in an inferior degree French writers before the Revolution represented the taille as a main cause of the backward state of agriculture, and of the wretched condition of the rural popu lation, not from its amount, but be cause, being proportioned to the visible capital of the cultivator, it gave him a motive for appearing poor, which sufficed to turn the scale in favour of indolence The arbitrary powers also of fiscal officers, of intendants and subdélégués, were more destructive of prosperity than a far larger amount of exactions, because they destroyed seficulties and hardships are often but | in the condition of the districts poscurity there was a marked superiority

sessing Provincial States, which were ! exempt from this scourge The universal venality ascribed to Russian functionaries, must be an immense drag on the capabilities of economical improvement possessed so abundantly by the Russian empire, since the emoluments of public officers must depend on the success with which they can multiply vexations, for the purpose of

being bought off by bribes Yet mere excess of taxation, even when not aggravated by uncertainty, is, independently of its injustice, a serious economical evil. It may be carried so far as to discourage industry by manuficiency of reward Very long before it reaches this point, it prevents or greatly checks accumulation, or causes the capital accumulated to be sent for investment to foreign coun-Taxes which fall on profits, even though that kind of income may not pay more than its just share, necessarily diminish the motive to any saving, except for investment in foreign countries where profits are higher Holland, for example, seems to have long ago reached the practical minimum of profits already in the last century her wealthy capitalists had a great part of their fortunes invested in the loans and joint-stock speculations of other countries and this low rate of profit is ascribed to the heavy taxa tion, which had been in some measure forced on her by the circumstances of her position and history The taxes indeed, besides their great amount, were many of them on necessaries, a kind of tax peculiarly injurious to industry and accumulation But when the aggregate amount of taxation is very great, it is inevitable that recourse must be had for part of it to taxes of an objectionable character And any taxes on consumption, when heavy, even if not operating on profits, have something of the same effect, by driving persons of moderate means to live abroad, often taking their capital with Although I by no means join with those political economists who think no state of national existence desirable in which there is not a rapid increase of wealth, I cannot overlook of funds, or through a compromise in

the many disadvantages to an independent nation from being brought prematurely to a stationary state, while the neighbouring countries continue advancing

The subject of protection to person and property, considered as aftorded by government, raunhes widely, into a number of indirect channels. It embraces, for example, the whole subject of the perfection or inefficiency of the means provided for the ascertain ment of rights and the redress of injuries Person and property cannot be considered secure where the administration of justice is imperfect, either from defect of integrity or capacity in the tribunals, or because the delay, vexation, and expense accompanying their operation impose a heavy tax on those who appeal to them, and make it preferable to submit to any endurable amount of the evils which they are designed to remedy In England there is no fault to be found with the administration of Justice, in point of pecuniary integrity, a result which the progress of social improvement may also be supposed to have brought about in several other nations of Europe But legal and judicial imperfections of other kinds are abundant, and, in England especially, are a large abatement from the value of the services which the government renders back to the people in return for our enormous taxation In the first place, the incognoscibility (as Bentham termed it) of the law, and its extreme uncer tainty, even to those who best know it, render a resort to the tribunals often necessary for obtaining justice, when, there being no dispute as to facts, no litigation ought to be required. In the next place, the procedure of the trabunals is so replete with delay, vexation, and expense, that the price at which justice is at last obtained is an evil outweighing a very considerable amount of injustice, and the wrong side, even that which the law considers such, has many chances of gaining its point, through the abandonment of hingation by the other party for want

which a sacrifice is made of just rights to terminate the suit, or through some technical quirk, whereby a decision is obtained on some other ground than the ments This last detestable incident often happens without blame to the judge, under a system of law, of which a great part rests on no rational principles adapted to the present state of society, but was originally founded partly on a kind of whims and concerts, and partly on the principles and incidents of feudal tenure, (which now survive only as legal fictions,) and has only been very imperfectly adapted, as cases arose, to the changes which had taken place in society Of all parts of the English legal system, the Court of Chancery, which has the best substan tive law, has been incomparably the worst as to delay, vexation, and ex pense, and this is the only tribunal for most of the classes of cases which are in their nature the most complicated, such as cases of partnership, and the great range and variety of cases which come under the denomination of trust The recent reforms in this Court have abated the mischief, but are still far from having removed it.

Fortunately for the prosperity of England, the greater part of the mercantile law is comparatively modern, and was made by the tribunals, by the simple process of recognising and giving force of law to the usages which, from motives of convenience, had grown up among merchants them selves so that this part of the law, at least, was substantially made by those who were most interested in its goodwhile the defects of the tribu nals have been the less practically permicious in reference to commercial transactions, because the importance of credit, which depends on character, renders the restraints of opinion (though, as daily experience proves, an insufficient) yet a very powerful, protection against those forms of mercantile dishonesty which are generally recognised as such.

The imperfections of the law, both in its substance and in its procedure, fall heaviest upon the interests con-

nected with what is technically called real property, in the general language of European jurisprudence, immoveable With respect to all this property portion of the wealth of the community. the law fails egregiously in the protection which it undertakes to pro-It fails, first, by the uncertainty, and the maze of technicalities, which make it impossible for any one, at however great an expense, to possess a title to land which he can positively know to be unassailable secondly, in omitting to provide due evidence of transactions, by a proper registration of legal documents fails, thirdly, by creating a necessity for operose and expensive instruments and formalities (independently of fiscal burthens) on occasion of the purchase and sale, or even the lease or mortgage, of immoveable property And, fourthly it fails by the intolerable expense and delay of law proceedings, in almost all cases in which real property is con There is no doubt that the cerned. greatest sufferers by the defects of the higher courts of civil law are the land-Legal expenses, either those of actual litigation, or of the prepara tion of legal instruments, form, apprehend, no inconsiderable item in the annual expenditure of most persons of large landed property, and the saleable value of their land is greatly impaired, by the difficulty of giving to the buyer complete confidence in the title, independently of the legal expenses which accompany the transfer Yet the landowners, though they have been masters of the legislation England, to say the least, since 1688, have never made a single move in the direction of law reform, and have been strenuous opponents of some of the improvements of which they would more particularly reap the benefit, especially that great one of a registration of contracts affecting land, which when proposed by a Commission of eminent real property lawyers, and introduced into the House of Commons by Lord Campbell, was so offensive to the general body of landlords, and was rejected by so large a majority, as to have long discouraged

any repetition of the attempt * This irrational hostility to improvement, in a case in which their own interest would be the most benefited by it, must be ascribed to an intense timi dity on the subject of their titles, generated by the defects of the very law which they refuse to alter, and to a conscious ignorance, and incapacity of judgment, on all legal subjects, which makes them helplessly defer to the opinion of their professional advisors, heedless of the fact that every imperfection of the law, in proportion as it is burthensome to them, brings gain to the lawyer

In so far as the defects of legal arrangements are a mere burthen on the landowner, they do not much affect the sources of production, but the uncertainty of the title under which land is held, must often act as a great discouragement to the expenditure of capital in its improvement, and the expense of making transfers, operates to prevent land from coming into the hands of those who would use it to most advantage, often amounting, in the case of small purchases, to more than the price of the land, and tantamount, therefore, to a prohibition of the purchase and sale of land in small portions, unless in exceptional Such purchases, howcircumstances ever, are almost everywhere extremely desirable, there being hardly any country in which landed property is not either too much or too little subdivided, requiring either that great estates should be broken down, or that small ones should be bought up To make land as and consolidated ensily transferable as stock, would be one of the greatest economical improvenients which could be bestowed on a country, and has been shown, again and again, to have no insuperable difficulty attending it.

Besides the excellences or defects that belong to the law and judicature of a country as a system of arrangements for attaining direct practical

ends, much also depends, even in any economical point of view, upon the moral influences of the law Enough has been said in a former place,+ on the degree in which both the indus trial and all other combined operations of mankind depend for efficiency on their being able to rely on one another for probity and fidelity to engagements, from which we see how greatly even the economical prosperity of a country is liable to be affected, by anything in its institutions by which either integrity and trustworthiness, or the contrary qualities, are encouraged The law everywhere estensibly favours at least pecuniary honesty and the faith of contracts, but if it affords facilities for evading those obligations, by trick and chicanery, or by the un scrupulous use of riches in instituting unjust or resisting just litigation, if there are ways and means by which persons may attain the ends of roguery. under the apparent sanction of the law, to that extent the law is demoralizing, even in regard to pecuniary And such cases are, un fortunately, frequent under the English If, again, the law, by a missystem placed indulgence, protects idleness or prodigality against their natural consequences, or dismisses crime with madequate penalties, the effect, both on the prudential and on the social virtues, is unfavourable law, by its own dispensations and in junctions, establishes injustice between individual and individual, as all laws do which recognise any form of slavery, as the laws of all countries do, though not all in the same degree, in respect to the family relations, and as the laws of many countries do, though in still more unequal degrees, as between rich and poor, the effect on the moral sentiments of the people is still more But these subjects introdisastrous duce considerations so much larger and deeper than those of political economy, that I only advert to them in order not to pass wholly unnoticed things superior in importance to those of which I treat

† Supra, p 68.

Lord Westbury's recent Act is a maternal mitigation of this grievous defect in English law, and will probably lead to fur ther improvements

CHAPTER IX.

THE BAME SUBJECT CONTINUED

HAVING spoken thus far of the effects produced by the excellences or defects of the general system of the law, I shall now touch upon those rosulting from the special character of As a selection particular parts of it must be made, I shall confine myself The portions to a few leading topics of the civil law of a country which are of most importance economically (next to those which determine the status of the labourer, as slave, serf, or free), are those relating to the two subjects of Inheritance and Contract. Ot the laws relating to contract, none are more important economically than the laws of partnership, and those of insolvency It happens that on all these three points, there is just ground for condemning some of the provisions of the English law

With regard to Inheritance, I have, in an early chapter, considered the general principles of the subject, and suggested what appear to me to be, putting all prejudices apart, the best dispositions which the law could adopt Freedom of bequest as the general rule, but limited by two things that if there are descendants, who, being unable to provide for themselves. would become burthensome to the state, the equivalent of whatever the state would accord to them should be reserved from the property for their and seconaly, that no one person should be permitted to acquire by inheritance, more than the amount of a moderate independence. In case of intestacy, the whole property to escheat to the state which should be bound to make a just and reasonable provision for descendants, that 18, such a provision as the parent or ancestor ought to have made, their circum stauces, capacities, and mode of bringing up being considered

The laws of inheritance, however, have probably several phases of im

provement to go through, before ideas so far removed from present modes of thinking will be taken into serious con sideration and as, among the recog nised modes of determining the succession to properly, some must be better and others worse, it is necessary to consider which of them descrives As an intermediate the preference course, therefore, I would recommend the extension to all property, of the present English law of inheritance affecting personal property (freedom of bequest, and, in case of intestacy, equal i division) except that no rights should be acknowledged in collaterals, and that the property of those who have neither descendants nor ascendants, and make no will, should escheat to the state

The laws of existing nations deviate from these maxims in two opposite In England, and in most of the countries where the influence of feudality is still felt in the laws, one of the objects aimed at in respect to land and other unmoveable property, 19 to keep it together in large masses accordingly, in cases of intestacy, it preses, generally speaking (for the local custom of a few places is different), exclusively to the eldest son And though the rule of primogeniture is not binding on testators, who in England have nominally the power of bequeathing their property as they please, any proprietor may so exercise this power as to deprive his successors of it, by entailing the property on one particular line of his descendants which, besides preventing it from passing by inheritance in any other than the prescribed manner, 18 attended with the incidental consequence of precluding it from being sold, since each successive possessor, having only a life interest in the property, cannot alienate it for a longer period than his own life

anther countries, such as France, the law on the contrary, compels division of inheritances, not only, in case of intestacy, sharing the property, both real and personal, equally among all the children, or (if there are no children) among all relatives in the same degree of propinquity, but also not necessing any power of bequest, or recognising it over only a limited parties of the property, the remainder lang subjected to compulsory equal division

Neither of these systems, I apprehend, was introduced, or is perhaps maintained, in the countries where it exists, from any general considerations of justice, or any foresight of economical consequences, but chiefly from political motives, in the one case to keep up large hereditary fortunes, and a landed ari tocracy, in the other, to break these down, and provent their The first object, as an resurrection. aim of national policy, I conceive to be eminently undesirable with regard to the second, I have pointed out what reems to me a better mode of attaining The ment, or dement, however, of either purpose, belongs to the general science of politics, not to the limited department of that science which is Tach of the two here treated of ristems is a real and efficient instrument for the purpose intended by it, but each, as it appears to me, achieves that purpose at the cost of much mischief.

There are two arguments of an economical character, which are lurged in favour of primogeniture One ix, the stimulus applied to the industry and ambition of younger children, by leaving them to be the architects of This argument their own fortunes was put by Dr Johnson in a manner more forcible than complimentary to an hereditary anstocracy, when he said, by was of recommendation of primogeniture, that it "makes but one fool in a family" It is curious that a defende- of anstocrationstitutions should be the person to assert that to inherit such a fortune as takes away any necessity for exertion is generally fatal !

to activity and strength of mind in the present state of education, however, the proposition, with some allowance for exaggeration, may be admitted But whatever force there to be true 14 in the argument, counts in favour of limiting the eldest, as well as all the other children, to a mere provision, and dispensing with even the "one fool" whom Dr Johnson was willing to If uncarned riches are so tolerate pernicious to the character, one does not see why, in order to withhold the porson from the junior members of a tamily, there should be no way but to unite all their separate potions, and administer them in the largest possible dose to one selected victim lt cannot be necessary to inflict this great evil on the eldest son, for want of knowing what else to do with a large fortune

Some writers, however, look upon the effect of primogeniture in stimulating industry, as depending, not so much! on the poverty of the younger children, as on the contrast between that poverty and the riches of the elder, thinking, it indispensable to the activity and energy of the hive, that there should be a huge drone here and there, to im eanes onb a dita soud gardnow oils sang of the advantages of honey inferiority in point of wealth," says Mr M'Culloch, speaking of the younger children, "and their desire to escape from this lower station, and to attain to the same level with their elder brothers, inspires them with an energy and vigour they could not otherwise But the advantage of preserving large estates from being frittered down by a scheme of equal division, is not limited to its influence over the younger It raises children of their owners universally the standard of competence, and gives new force to the springs which set industry in motion manner of living among the great land lords is that in which every one is ambitious of being able to indulge, and their habits of expense, though sometimes injurious to themselves, act as powerful incentives to the ingenuity and enterprise of the other classes, who never think their fortunes sufficiently ample, unless they will enable them to

emulate the splendour of the richest landlords, so that the custom of pri mogeniture seems to render all classes more industrious, and to augment at the same time, the mass of wealth and 'the scale of enjoyment".*

The portion of truth, I can hardly say contained in these observations, but recalled by them, I apprehend to be, that a state of complete equality of fortunes would not be favourable to active exertion for the increase of wealth Speaking of the mass, it is as true of wealth as of most other distinctions-of talent, knowledge, virtuethat those who already have, or think they have, as much of it as their neigh bours, will seldom exert themselves to acquire more But it is not therefore necessary that society should provide a set of persons with large fortunes, to fulfil the social duty of standing to be looked at, with envy and admiration, by the aspiring poor The fortunes which people have acquired for them selves, answer the purpose quite as well, indeed much better, since a person is more powerfully stimulated by the example of somebody who has earned a fortune, than by the mere sight of somebody who possesses one, and the former is necessarily an example of prudence and frugality as well as industry, while the latter much oftener sets an example of profuse expense, which spreads, with pernicious effect, to the very class on whom the sight of riches is supposed to have so beneficial an influence, namely, those whose weakness of mind, and taste for ostentation, make "the splendour of the nchest landlords" aftract them with the most potent spell. In America there are few or no hereditary fortunes, yet industrial energy, and the ardour of accumulation, are not supposed to be particularly backward in that part of the world When a country has once fairly entered into the industrial career, which is the principal occupation of the modern, as

war was that of the ancient and medieval world, the desire of acquisition by industry needs no factitious stimulus the advantages naturally inherent in riches, and the character they assume of a test by which talent and success in life are habitually measured, are an ample security for their being pursued with sufficient intensity and As to the deeper consideration, that the diffusion of wealth, and not its concentration, is desirable, and that the more wholesome state of society is not that in which immense fortunes are possessed by a few and coveted by all, but that in which the greatest possible numbers possess and are con tented with a moderate competency, which all may hope to acquire, I refer to it in this place, only to show, how widely separated, on social questions, 18 the entire mode of thought of the defenders of primogeniture, from that which is partially promulgated in the present treatise

The other economical argument in favour of primogeniture, has special reference to landed property. It is contended, that the habit of dividing inheritances equally, or with an approach to equality, among children, promotes the subdivision of land into portions too small to admit of being cultivated in an advantageous manner This argument, eternally reproduced, has again and again been refuted by English and Continental writers proceeds on a supposition entirely at variance with that on which all the theorems of political economy are grounded. It assumes that mankind in general will habitually act in a vanuer opposed to their immediate and obvious pecuniary interest the division of the inheritance does not necessarily imply division of the land, which may be held in common, as is not unfrequently the case in France, and Belgium, or may become the pro perty of one of the coheirs, being charged with the shares of the others; by way of mortgage, or they may sell! it outright, and divide the proceeds When the division of the land would diminish its productive power, it is the direct interest of the heirs to adopt

Principles of Political Economy, ed. 1813 p 204 There is much more to the same effect in the more recent treatise by the same author, On the Succession to Properly recent by Death.

some one of these arrangements Supposing, however, what the argument assumes, that either from legal difficulties or from their own stupidity and barbarism, they would not, if left to themselves, obey the dictates of this obvious interest, but would insist upon cutting up the land bodily into equal parcels, with the effect of impoverish ing themselves, this would be an objection to a law such as exists in France, of compulsory division, but can be no reason why testators should be discouraged from exercising the right of bequest in general conformity to the rule of equality, since it would always be in their power to provide that the division of the inheritance should take place without dividing the land itself. That the attempts of the advocates of primogeniture to make out a case by facts against the custom of equal division, are equally abortive, has been shown in a former place In all countries, or parts of countries, in which the division of inheritances is accompanied by small holdings, it is because small holdings are the general system of the country, even on the estates of the great proprietors

Unless a strong case of social utility can be made out for primogeniture, it stands sufficiently condemned by the general principles of justice, being a broad distinction in the treatment of one person and of another, grounded solely on an accident. There is no need, therefore, to make out any case of economical evil against primogeni-Such a case, however, and a very strong one, may be made a natural effect of primogeniture to make the landlords a needy class The object of the institution, or custom, is to keep the land together in large masses, and this it commonly accomplishes, but the legal proprietor of a large domain is not necessarily the bona fide owner of the whole income which it yields It is usually charged, in each generation, with provisions for the other children It is often charged still more heavily by the imprudent expenditure of the proprietor Great landowners are generally improvident lin their expenses, they live up to their

incomes when at the highest, and if any change of circumstances diminishes their resources, some time elapses before they make up their minds to re-Spendthrifts in other classes are ruined, and disappear from society, but the spendthrift landlord usually holds fast to his land, even when he has become a mere receiver of its rents for the benefit of creditors The same desire to keep up the "splendour" of the family, which gives rise to the custom of primogeniture, indisposes the owner to sell a part in order to set free the remainder, their apparent are: therefore habitually greater than their real means, and they are under a perpetual temptation to proportion their expenditure to the former rather than to the latter From such causes as these, in almost all countries of great landowners, the majority of landed estates are deeply mortgaged, and instead of having capital to spare for improvements, it requires all the increased value of land, caused by the rapid increase of the wealth and population of the country, to preserve the class from being impoverished

To avert this impoverishment, recourse was had to the contrivance of entails, whereby the order of succession; was irrevocably fixed, and each holder, having only a life interest, was unable to burthen his successor The land thus passing, free from debt, into the possession of the heir, the family could not be ruined by the improvidence of its existing representative nomical evils arising from this disposition of property were partly of the same kind, partly different, but on the whole greater, than those arising from primogeniture alone The possessor could not now ruin his successors, but he could still ruin himself he was not i at all more likely than in the former case to have the means necessary for improving the property while, even if he had, he was still less likely to em ploy them for that purpose, when the benefit was to accrue to a person whom the entail made independent of him, while he had probably younger chil dren to provide for, in whose favour he

could not now charge the estate While thus disabled from being himself an improver, neither could be sell the estate to somebody who would, since entail precludes alienation general he has even been unable to grant leases beyond the term of his own life, "for," says Blackstone, "if such leases had been valid, then, under cover of long leases, the issue might have been virtually disinherited," and it has been necessary in Great Britain to relax, by statute, the rigour of entails, in order to allow either of long leases, or of the execution of improvements at the expense of the estate It may be added that the heir of entail, being assured of succeeding to the family property, however undeserving of it, and being aware of this from his ear liest years, has much more than the ordinary chances of growing up idle, dissipated, and profligate

In Lugland the power of entul is more limited by law, than in Scotland and in most other countries where it A landowner can settle his property upon any number of persons successively who are living at the time, and upon one unborn person, on whose attaining the age of twenty one, the entail expires, and the land becomes his alsolute property An estate may in this manner be transmitted through a son, or a son and grandson, living when the deed is executed, to an unborn child of that grandson It has been maintaired that this power of entail 18 not sufficiently extensive to do any mischief in 1 uth, however, it is much larger than it reems Entuils very friely expire, the first heir of entuil, when of age, joins with the existing person in resettling the estate, so as to preleng the entail for a further I are properties therefore, are rarely free for any considerable period, from the restraints of a strict settle ment though the mirchief is in one respect untigated, since in the renewal of the rettlement for one more genera sion, the estate is usually charged with ~ I rove ion for younger children

ir an economical point of view, the best receim of landed property is that in which land is most completely an

object of commerce, passing readily! from hand to hand when a buyer can be found to whom it is worth while to offer a greater sum for the land, than the value of the income drawn from it i by its existing possessor This of course is not meant of ornamental property, which is a source of expense, not profit, but only of land employed for industrial uses, and held for the sake of the income which it affords ever facilitates the sale of land, tends to make it a more productive instru ment for the community at large, whatever prevents or restricts its sale, subtracts from its usefulness not only has entail this effect, but primogeniture also The desire to keep land together in large masses, from other motives than that of promoting productiveness, often changes and alienations which would increase its efficiency as an instru ment

§ 4 On the other hand, a law which, like the French, restricts the power of bequest to a narrow compass,/ and compels the equal division of the whole or the greater part of the property among the children, seems to me, though on different grounds, also very seriously objectionable. The only reason for recognising in the children any claim at all to more than a provision, sufficient to launch them in life, and enable them to find a livelihood, is grounded on the expressed or presumed wish of the parent, whose claim to dispose of what is actually his own, cannot be set aside by any pretensions of others to receive what is not theirs To control the rightful owner's liberty of gift, by creating in the children a legal right superior to it, is to postpone a real claim to an imaginary one To this great and paramount objection to the law, numerous secondary ones may be added Desirable as it is that the parent should treat the children with importiality, and not make an eldest son or a favourite, impartial division is not always synonymous with equal division Some of the chil dren may, without fault of their own, be less capable than others of pro-

other means than their own exertions. be already provided for and impar tiality may therefore require that the rule observed should not be one of equality, but of compensation when equality is the object, there are sometimes better means of attaining it, than the inflexible rules by which law must necessarily proceed If one of the coherrs, being of a quarrelsome or litigious disposition, stands upon his utmost rights, the law cannot make equitable adjustments, it cannot apportion the property as seems best for the collective interest of all concerned, if there are several parcels of land, and the heirs cannot agree about their value, the law cannot give a parcel to each, but every separate parcel must be either put up to sale or divided if there is a residence, or a park or pleasure ground, which would be destroyed, as such, by subdivision, it must be sold, perhaps at a great sacrifice both of money and of feeling But what the law could not do, the By means of the liberty parent could of bequest, all these points might be determined according to reason and the general interest of the persons con-cerned, and the spirit of the principle of equal division might be the better observed, because the testator was emancipated from its letter Finally, it would not then be necessary, as under the compulsory system it is, that the law should interfere authoritatively in the concerns of individuals, not only on the occurrence of a death, but through out life, in order to guard against the attempts of parents to frustrate the legal claims of their heirs, under colour of gifts and other alienations intervivos

In conclusion, all owners of property should, I conceive, have power to dispose by will of every part of it, but not to determine the person who should succeed to it after the death of all who were living when the will was made. Under what restrictions it should be allowable to bequeath property to one person for life, with remainder to another person already in existence, is a question belonging to general legislation, not to political

viding for themselves some may, by other means than their own exertions, be already provided for and impartiality may therefore require that the rule observed should not be one of equality, but of compensation Even when equality is the object, there are

§ 5 From the subject of Inherit- i ance I now pass to that of Contracts, and among these, to the important subject of the Laws of Partnership How much of good or evil depends upon these laws, and how important it is that they should be the best pos sible, is evident to all who recognise in the extension of the co-operative principle in the larger sense of the term, the great economical necessity of modern industry The progress of the productive arts requiring that many sorts of industrial occupation should be carried on by larger and larger capitals, the productive power of industry must suffer by whatever im pedes the formation of large capitals through the aggregation of smaller Capitals of the requisite magni tude, belonging to single owners, do not, in most countries, exist in the needful abundance, and would be still less numerous if the laws favoured the diffusion instead of the concentration of property while it is most unde sirable that all those improved processes, and those means of efficiency and economy in production, which depend on the possession of large funds. should be monopolies in the hands of a few rich individuals, through the difficulties experienced by persons of moderate or small means in associating their capital Finally, I must repeat my conviction, that the industrial economy which divides society absolutely into two portions, the payers of wages and the receivers of them, the first counted by thousands and the last by millions, is neither fit for, nor capable of, indefinite duration and the possi bility of changing this system for one of combination without dependence, and unity of interest instead of organized hostility, depends altogether upon the future developments of the Partnership

Yet there is scarcely any country ! whose laws do not throw great, and in most cases, intentional obstacles in the way of the formation of any numerous partnership In England it is already a serious discouragement, that differences among partners are, practically speaking, only capable of adjudication by the Court of Chancery which is often worse than placing such questions out of the pale of all law, since any one of the disputant parties, who is either dishonest or litigious, can involve the others at his pleasure in the expense, trouble, and anxiety, which are the unavoidable accompaniments of a Chancery suit, without their having the power of freeing themselves from the infliction even by breaking up the association * Besides this, it required, until lately, a separate act of the legislature before any joint-stock association could legally constitute itself, and be empowered to act as one body statute passed a few years ago, this necessity is done away, but the statute in question is described by competent authorities as a "mass of confusion," of which they say that there "never was such an infliction" on persons entering

· Mr Cecil Fane, the Commissioner of the Bankruptcy Court in his evidence before the Committee on the Law of Partnership says "I remember a short time ago rending a written statement by two eminent solici tors who said that they had known many partnership accounts go into Chancery, but that they never knew one come out Very few of the persons who would be dis posed to engage in partnerships of this kind

(co-operative associations of working men)
have any idea of the truth, namely, that
the decision of questions arising amongst
partners is really impracticable

"Do they not know that one partner may rob the other without any possibility of his obtaining redress?—The fact is so, but whether they know it or not I cannot under-

take to eay

This flagrant injustice is, in Mr Fane s opinion, wholly attributable to the defects of the tribunal. "My opinion is that if there is one thing more easy than another, it is the settlement of partnership questions, and for the simple reason, that everything which is done in a partnership is entered in the books, the endence therefore is at hand, if therefore a rational mode of proceeding were once adopted, the difficulty would altogether vanish. —Minutes of Evidence annexed to the Report of the Select Committee on the Law of Partnership (1851), pp 85-7

into partnership + When a number of persons, whether few or many, freely desire to unite their funds for a com mon undertaking, not asking any pecu har privilege, nor the power to dispos sess any one of property, the law can have no good reason for throwing difficulties in the way of the realization of the project. On compliance with a few simple conditions of publicity, any body of persons ought to have the power of constituting themselves into a joint-stock company, or société en nom collectif, without asking leave either of any public officer or of parlia-As an association of many partners must practically be under the management of a few, every facility ought to be afforded to the body for exercising the necessary control and check over those few, whether they be themselves members of the association, or merely its hired servants this point the English system is still at a lamentable distance from the standard of perfection.

Whatever facilities, however, English law might give to associations formed on the principles of ordinary partnership, there is one sort of jointstock association which until the year 1855 it absolutely disallowed, and which could only be called into existence by a special act either of the legislature or of the crown I mean, associations with limited liability

Associations with limited liability are of two kinds in one, the liability of all the partners is limited, in the other that of some of them only first is the Anonymous Society of the French law, which in England had until lately no other name than that of "chartered company " meaning thereby a joint-stock company whose shareholders, by a charter from the crown or a special enactment of the legislature, stood exempted from any liability for the debts of the concern, beyond the amount of their subscriptions other species of limited partnership is that known to the French law under the name of commandite, of this, which

in England is still unrecognised and cumstances which ought to enter into illegal, I shall speak presently their prudential calculations in dealing

If a number of persons choose to as sociate for carrying on any operation of commerce or industry, agreeing among themselves and announcing to those with whom they deal that the members of the association do not un dertake to be responsible beyond the amount of the subscribed capital, is there any reason that the law should raise objections to this proceeding, and should impose on them the unlimited responsibility which they disclaim? For whose sake? Not for that of the partners themselves, for it is they whom the limitation of responsibility benefits and protects It must therefore be for the sake of third parties, namely, those who may have transactions with the association, and to whom it may run in debt beyond what the subscribed capital suffices to pay But nobody is obliged to deal with the as sociation, still less is any one obliged to give it unlimited credit. The class of persons with whom such associations have dealings are in general perfeetly capable of taking care of themselves, and there seems no reason that the law should be more careful of their interest than they will themselves be provided no false representation is held out, and they are aware from the first The law what they have to trust to is warranted in requiring from all joint-stock associations with limited responsibility, not only that the amount of capital on which they profess to carry on business should either be actually paid up or security given for it (if, indeed, with complete publicity, such a requirement would be neces sary) but also that such accounts should be kept, accessible to individuals, and if needful, published to the world, as shall render it possible to ascertain at any time the existing state of the company's affairs, and to learn whether the capital which is the sole security for the engagements into which they enter, still subsist unimpaired fidelity of such accounts being guarded When the law by sufficient penalties has thus afforded to individuals all practicable means of knowing the cir- pp 145-158

cumstances which ought to enter into their prudential calculations in dealing with the company, there seems no more need for interfering with individual judgment in this sort of transactions, than in any other part of the private business of life

The reason usually urged for such interference is, that the managers of an association with limited responsibility, not risking their whole fortunes m the event of loss, while in case of gain they might profit largely, are not sufficiently interested in exercising due circumspection, and are under the temptation of exposing the funds of the association to improper hazards It is, however, well ascertained that associations with unlimited responsi bility, if they have rich shareholders. can obtain, even when known to be reckless in their transactions, improper credit to an extent far exceeding what would be given to companies equally ill-conducted whose creditors had only the subscribed capital to rely on * To whichever side the balance of evil in clines, it is a consideration of more importance to the shareholders them selves than to third parties, since, with proper securities for publicity, the capital of an association with limited liability could not be engaged in hazards beyond those ordinarily in cident to the business it carries on, without the fact's being known, and becoming the subject of comments by which the credit of the body would be likely to be affected in quite as great a degree as the circumstances would justify If, under securities for publicity, it were found in practice that companies, formed on the principle of unlimited responsibility, were more skilfully and more cautiously managed, companies with limited liability would be unable to maintain an equal competition with them, and would therefore rarely be formed, unless when such limitation was the only condition on which the necessary amount of capital could be raised and in that case it would be very unreasonable to say that their formation ought to be prevented.

• See the Report already referred to pp 145-158

It may further be remarked, that although, with equality of capital, a company of limited liability offers a somewhat less security to those who deal with it, than one in which every shareholder is responsible with his whole fortune, yet even the weaker of these two securities is in some respects stronger than that which an individual capitalist can afford. In the case of an individual, there is such security as can be founded on his unlimited liability, but not that derived from pubheity of transactions, or from a known and large amount of paid up capital This topic is well treated in an able paper by M. Coquelin, published in the Revue des Deux Mondes for July 1843 *

"While third parties who trade with individuals," says this writer, "scarcely ever know, except by approximation, and even that most vague and uncertain, what is the amount of capital responsible for the performance of contracts made with them, those who trade with an anonymous society can obtain full information if they seek it, and perform their operations with a feeling of confidence that cannot exist in the other case Again, nothing 18 easier than for an individual trader to conceal the extent of his engagements, as no one can know it certainly but Even his confidential clerk himself. may be ignorant of it, as the loans he finds himself compelled to make may not all be of a character to require that they be entered in his day book. It is a secret confined to himself, one which transpires rarely, and always slowly, one which is unveiled only when the catastrophe has occurred On the contrary, the anonymous society neither can nor ought to borrow, without the fact becoming known to all the world—directors, clerks, share holders, and the public. Its operations partake in some respects, of the nature of those of governments The light of day penetrates in every direction, and there can be no secrets from those who

seek for information. Thus all is fixed, recorded, known, of the capital and debts in the case of the anonymous society, while all is uncertain and un known in the case of the individual trader. Which of the two, we would ask the reader, presents the most favourable aspect, or the surest guarantee, to the view of those who trade with them?

"Again, availing himself of the obscurity in which his affairs are shrouded, and which he desires to in crease, the private trader is enabled, so long as his business appears prosperous, to produce impressions in regard to his means far exceeding the reality, and thus to establish a credit not justified by those means losses occur, and he sees himself threatened with bankruptcy, the world is still ignorant of his condition, and he finds himself enabled to contract debts far beyond the possibility of payment. The fatal day arrives, and the creditors find a debt much greater than had been anticipated, while the means of payment are as much less Even this is not all. The same obscurity which has served him so well thus far, when desiring to magnify his capital and increase his credit, now affords him the opportunity of placing a part of that capital beyond the reach of his creditors It becomes diminished, if not annihilated. It hides itself, and not even legal remedies, nor the activity of creditors, can bring it forth from the dark corners in which it is placed. Our readers can readily determine for themselves if practices of this kind are equally easy in the case of the anonymous society We do not doubt that such things are possible, but we think that they will agree with us that from its nature, its organization, and the necessary pubheity that attends all its actions, the hability to such occurrences is very greatly diminished."

The laws of most countries, England included, have erred in a twofold manner with regard to joint-stock companies. While they have been most unreasonably jealous of allowing such associations to exist, especially with

^{*} The quotation is from a translation published by Mr H. C Carey, in an American periodical *Hunt's Merchant's Magazine*, for May and June 1845

limited responsibility, they have generally neglected the enforcement of publicity, the best security to the public against any danger which might arise from this description of partnerships, and a security quite as much required in the case of those associations of the kind in question, which, by an exception from their general practice, they suffered to exist in the instance of the Bank of Eng and, which holds a monopoly from the legislature, and has had purtial control over a matter of so much public inte rest as the state of the circulating medium, it is only within these few years that any publicity has been enforced, and the publicity was at first of an extremely incomplete character, though now, for most practical purposes, probably at length sufficient

§ 7 The other kind of limited partnership which demands our attention. is that in which the managing partner or partners are responsible with their whole fortunes for the engagements of the concern, but have others associated with them who contribute only definite sums, and are not liable for anything beyond, though they participate in the profits according to any rule which may be agreed on This is called partnership in commandite and the partuers with limited liability (to whom, by the French law, all interference in the management of the concern is interdicted) are known by the Such partnername commanditaires ships are not allowed by English law in all private parinerships, whoever shares in the profits is liable for the debts, to as plenary an extent as the managing partner

For such prohibition no satisfactory defence has ever, so far as I am aware, been made Even the insufficient reason given against limiting the responsibility of shareholders in a joint-stock company, does not apply here, there being no diminution of the motives to circumspect management, since all who take any part in the direction of the concern are liable with their whole fortunes To third parties, again, the security is improved by the

existence of commandite, since the amount subscribed by commanditaires is all of it available to creditors, the commanditures losing their whole investment before any creditor can lose anything, while, if instead of becoming partners to that amount, they had lent the sum at an interest equal to the profit they derived from it, they would have shared with the other creditors in the residue of the estate, diminishing pro -ata the dividend obtained by all. While the practice of commandite thus conduces to the interest of creditors, it is often highly desirable for the contracting parties themselves The managers are enabled to obtain the aid of a much greater amount of capital than they could borrow on their own security, and persons are induced to aid useful undertakings, by embarking limited portions of capital in them, when they would not, and often could not prudently, have risked their whole fortunes on the chances of the enterprise

It may perhaps be thought that where due facilities are afforded to joint-stock companies, commandite partnerships are not required there are classes of cases to which the commandite principle must always be better adapted than the jointstock principle "Suppose," says M. Coquelin, "an inventor seeking for a capital to carry his invention into practice To obtain the aid of capi talists, he must offer them a share of the anticipated benefit, they must associate themselves with him in the chances of its success. In such a case. which of the forms would be select? ", Not a common partnership, certainly for various reasons, and especially the extreme difficulty of finding a partnewith capital, willing to risk his whole fortune on the success of the inven-"Neither would he select the

"There has been a great deal of commiseration professed," says Mr Duncan, solicitor, "towards the poor inventor; he has been oppressed by the high cost of patents; but his chief oppression has been the partnership law, which prevents his getting any one to help him to develop his invention. He is a poor man, and therefore cannot give security to a creditor; no one will lend him money; the rate of interest

P Z.

Anonymous Society," or any other form of joint stock company, "in which he might be superseded as manager would stand, in such an association, on no better footing than any other shareholder, and he might be lost in the crowd, whereas, the association existing, as it were, by and for him, the management would appear to belong to him as a matter of right Cases occur in which a merchant or a manufacturer, without being precisely an inventor, has undeniable claims to the management of an undertaking, from the possession of qualities peculiarly calculated to promote its success great, indeed," continues M Coquelin, "is the necessity, in many cases, for the limited partnership, that it is diffi cult to conceive how we could dispense with or replace it " and in reference to his own country he is probably in the right

Where there is so great a readiness as in England, on the part of the public, to form joint-stock associations, even without the encouragement of a limitation of responsibility, commandite partnership, though its prohibition is in principle quite indefensible, cannot be deemed to be, in a merely eco-

offered, however high it may be, is not an attraction. But if by the alteration of the law he could allow capitalists to take an interest with him and share the profits, while the risk should be confined to the capital they embarked, there is very little doubt at all that he would frequently get assistance from capitalists, whereas at the present moment with the law as it stands, be is completely destroyed, and his invention is useless to him, he struggles month after meeth, he applies again and again to the capitalist without avail. I know it practically in two or three cases of patented inventions, especially one where parties with capital were desirous of entering into an undertaking of great moment in Liverpool, but five or six different gentlemen were deterred from doing so all feeling the strongest objection to what each one called the cursed partnership law?

Report, p 155
Mr Fane save, "In the course of my professional life, as a Commissioner of the Court of Bankruptey, I have learned that the most unfortunate man in the world is an inventor. The difficulty which an inventor finds in getting at capital, involves him in all sorts of embarrassments, and he ultimately is for the most part a ruined man, and somebody the gets pocsession of his invention."—Ib p. 52,

nomical point of view, of the imperative necessity which M Coquelin ascribes Yet the inconveniences are not small, which arise indirectly from those provisions of the law by which every one who shares in the profits of a concern is subject to the full liabilities of an unlimited partnership. It is impossible to say how many or what useful modes of combination are rendered impracticable by this state of the law It is sufficient for its condemnation that, unless in some way relaxed, it is inconsistent with the payment of wages in part by a percentage on profits, in other words, the association of the operatives as virtual partners with the

capitalist *

It is, above all, with reference to the improvement and elevation of the work ing classes, that complete freedom in the conditions of partnership is indispensable Combinations such as the associations of workpeople, described in a former chapter, are the most powerful means of effecting the social emancipation of the labourers through their own moral qualities Nor is the liberty of association important solely for its examples of success, but fully as much so for the sake of attempts which would not succeed, but by their failure would give instruction more impressive than can be afforded by anything short of actual experience Every theory of social improvement, the worth of which is capable of being brought to an experimental test, should be per mitted, and even encouraged, to submit itself to that test From such experiments the active portion of the working classes would derive lessons which they would be slow to learn from the teaching of persons supposed to have interests and prejudices adverse to their good, would obtain the means of correcting, at no cost to society, what ever is now erroneous in their notions of the means of establishing their in dependence, and of discovering the conditions, moral, intellectual, and indus-

^{*} It is considered possible to effect this through the Limited Liability Act, by erecting the capitalist and his workpeople into a Limited Company: 22 proposed by Mosses, Briggs (sup-8, p, 485)

trial, which are indispensably necessary for effecting without injustice, or for effecting at all, the social regeneration they aspire to *

The French law of partnership is superior to the English in permitting commandite, and superior, in having no such unmanageable instrument as the Court of Chancery, all cases arising from commercial transactions being adjudicated in a comparatively cheap and expeditious manuer by a tribunal In other respects the of merchants I rench system is far worse than the English A joint-stock company with limited responsibility cannot be formed without the express authorization of the department of government called the Council of State, a body of admi nistrators, generally entire strangers to industrial transactions, who have no interest in promoting enterprises, and are apt to think that the purpose of their institution is to restrain them, whose consent cannot in any case be obtained without an amount of time and labour which is a very serious hindrance to the commencement of an enterprise, while the extreme uncertainty of obtaining that consent at all is a great discouragement to capitalists who would be willing to subscribe regard to joint-stock companies with out limitation of responsibility, which in England exist in such numbers and are formed with such facility, these associations cannot, in France, exist at all, for, in cases of unlimited partner ship, the French law does not permit the division of the capital into transfcrable shares

The best existing laws of partnerthip appear to be those of the New

By an act of the year 1852, called the Industrial and Provident Societies Act for which the nation is indebted to the public-spirited exertions of Mr Slaney, industrial associations of working people are admitted to the statutory privileges of Friendly Societies. This not only exempts them from the formalities applicable to joint-stock companies but provides for the settlement of disputes among the partners without recourse to the Court of Chancery. There are abilisome defects in the provisions of this Act, which hamper the proceedings of the Societies in several respects, as is pointed out in the Almanack of the Rochdale Equitable Propers for 1861.

England States According to Mr Carey, + "nowhere is association so little trummelled by regulations as in New England, the consequence of which is, that it is carried to a greater extent there, and particularly in Massa chusetts and Rhode Island, than in any other part of the world In these states, the soil is covered with compagnies anonymes—chartered companies - for almost every conceivable purpose Every town is a corporation for the management of its roads, bridges, and schools, which are, therefore, under the direct control of those who pay for them, and are consequently well managed Academies and churches. lyceums and libraries, saving-fund societies, and trust companies, exist in numbers proportioned to the wants of the people, and all are corporations Every district has its local bank, of a size to suit its wants, the stock of which is owned by the small capitalists of the neighbourhood, and managed by themselves, the consequence of which is, that in no part of the world is the system of banking so perfect —so little liable to vibration in the amount of loans-the necessary effect of which is, that in none is the value of property so little affected by changes in the amount or value of the currency resulting from the movements of their own banking institutions In the two states to which we have particularly referred, they are almost two hundred in number Massachusetts, alone, offers to our view fifty-three insurance offices, of various forms. through the state, and all incorporated. Factories are incorporated, and are owned in shares, and every one that has any part in the management of their concerns, from the purchase of the raw material to the sale of the manufactured article, is a part owner, while every one employed in them has a prospect of becoming one, by the use of prudence, exertion, and economy Charitable associations exist in large numbers, and all are incorporated Fishing vessels are owned in shares by those who navigate them, and the

† In a note appended to his translation of M. Coquelin's paper.

sailors of a whaling ship depend in a great degree, if not altogether, upon the success of the voyage for their compensation Every master of a vessel trading in the Southern Ocean is a part owner, and the interest he possesses is a strong inducement to exertion and economy by aid of which the people of New England are rapidly driving out the competition of other nations for the trade of that part of Wherever settled, they exthe world hibit the same tendency to combination In New York they are the of action chief owners of the lines of packet ships, which are divided into shares, owned by the shipbuilders, the merchants, the master, and the mates, which last generally acquire the means of becoming themselves masters, and to this is due their great success. system is the most perfectly democratic of any in the world. It affords to every labourer, every sailor, every ope rative, male or female, the prospect of advancement, and its results are precisely such as we should have reason In no part of the world are to expect talent, industry, and prudence, so certain to be largely rewarded "

The cases of insolvency and fraud on the part of chartered companies in America, which have caused so much loss and so much scandal in Europe, did not occur in the part of the Union to which this extract refers, but in other States, in which the right of association is much more fettered by legal restrictions, and in which, accordingly, Joint-stock associations are not comparable in number or variety to those of New England. Mr Carey adds, "A careful examination of the systems of the several states, can scarcely, we think, fail to convince the reader of the advantage resulting from permitting men to determine among them selves the terms upon which they will associate, and allowing the associations that may be formed to contract with the public as to the terms upon which they will trade together, whether of the limited or unlimited liability of the partners" This principle has been adopted as the foundation of all recent English legislation on the subject.

§ 8 I proceed to the subject of In solvency Laws

Good laws on this subject are important, first and principally, on the score of public morals, which are on no point more under the influence of the law, for good and evil, than in a matter belonging so pre-eminently to the province of law as the preservation of pecuniary integrity. But the subject is also, in a merely economical point of view, of great importance First, because the economical wellbeing of a people, and of mankind, depends in an especial manner upon their being able to trust each other's engagements Secondly, because one of the risks, or expenses, of industrial operations is the risk or expense of what are commonly called bad debts, and every saving which can be effected in this liability is a diminution of cost of production, by dispensing with an item of outlay which in no way conduces to the desired end, and which must be paid for either by the consumer of the commodity, or from the general profits of capital, according as the burthen is peculiar or general.

The laws and practice of nations on this subject have almost always been in extremes The ancient laws of most countries were all severity to the debtor They invested the creditor with a power of coercion, more or less tyrannical, which he might use against his insolvent debtor, either to extort the surrender of hidden property, or to obtain satisfaction of a vindictive cha racter, which might console him for the non-payment of the debt. arbitrary power has extended, in some countries, to making the insolvent debtor serve the creditor as his slave in which plan there were at least some grains of common sense, since it might possibly be regarded as a scheme for making him work out the debt by his In England, the coercion assumed the milder form of ordinary im prisonment. The one and the other were the barbarous expedients of a rude age, repugnant to justice as well as to humanity Unfortunately the reform of them, like that of the crimi nal law generally, has been taken in

hand as an affair of humanity only, not | of justice and the modish humanity of the present time, which is essentially a thing of one idea, has in this as in other cases, gone into a violent reaction against the ancient seventy, and might almost be supposed to see in the fact of having lost or squandered other people's property, a pecuhar title to indulgence Everything in the law which attached disagreeable consequences to that fact, was gradually relaxed, or entirely got rid of until the demoralizing effects of this laxity became so evident as to deter mine, by more recent legislation, a salutary though very insufficient movement in the reverse direction

The indulgence of the laws to those who have made themselves unable to pay their just debts, is usually defended, on the plea that the sole object of the law should be, in case of insolvency, not to coerce the person of the debtor, but to get at his property, and distribute it fairly among the creditors Assuming that this is and ought to be the sole object, the mitigation of the law was in the first instance carried so far as to sacrifice that object. sonment at the discretion of a creditor was really a powerful engine for ex tracting from the debtor any property which he had concealed or otherwise made away with and it remains to be shown by experience whether, in depriving creditors of this instrument, the law, even as last amended, has furnished them with a sufficient equiva-But the doctrine, that the law has done all that ought to be expected from it, when it has put the creditors in possession of the property of an in solvent, is in itself a totally inadmis sible piece of spurious humanity is the business of law to prevent wrongdoing, and not simply to patch up the consequences of it when it has been The law is bound to take committed care that insolvency shall not be a good pecumary speculation, that men shall not have the privilege of hazarding other people's property without their knowledge or consent, taking the profits of the enterprise if it is successful, and if it fails, throwing the less upon I

the rightful owners, and that they shall not find it answer to make themselves unable to pay their just debts, by spending the money of their credi tors in personal indulgence admitted that what is technically called fraudulent bankruptcy, the false pretence of mability to pay, is, when detected, properly subject to punish-But does it follow that insolvency is not the consequence of misconduct because the mability to pay may be real? If a man has been a spendthrift, or a gambler, with property on which his creditors had a prior claim, shall he pass scot free because the mischief is consummated and the money gone? Is there any very material difference in point of morality between this conduct, and those other kinds of dishonesty which go by the names of fraud and embezzlement?

Such cases are not a minority, but a large majority among insolvencies The statistics of bankruptcy prove the "By far the greater part of all insolvencies arise from notorious mis conduct, the proceedings of the Insolvent Debtors Court and of the Bankruptcy Court will prove it cessive and unjustifiable overtrading or most absurd speculation in commodities, merely because the poor spe culator 'thought they would get up,' but why he thought so he cannot tell, speculation in hops, in tea, in silk, in corn-things with which he is altogether unacquainted, wild and absurd investments in foreign funds, or in joint-stocks, these are among the most innocent causes of bankruptcy "" The experienced and intelligent writer from whom I quote, corroborates his assertion by the testimony of several of the official assignees of the Bank One of them says, ruptcy Court "As far as I can collect from the books and documents furnished by the bankrupts, it seems to me that' the whole number of cases which occurred during a given time in the court to which he was attached, "fourteen have been ruined by spe-

^{*}From a volume published in 1845, en titled, Credit the Life of Commerce, by Mr J H Elliott.

culations in things with which they were unacquainted, three by neglecting book keeping, ten by trading beyond their capital and means, and the consequent loss and expense of accommodation bills, forty-nine by expending more than they could reasonably hope their profits would be, though their business yielded a fair return, none by any general distress, or the falling off of any particular branch of trade" Another of these officers says that, during a period of eighteen months, "fifty two cases of bankruptcy have come under my care It is my opinion that thirty-two of these have arisen from an imprudent expenditure, and five partly from that cause, and partly from a pressure on the business in which the bankrupts were employed. Fifteen I attribute to improvident speculations, combined in many instances with an extravagant mode of life "

To these citations the author adds the following statements from his personal means of knowledge insolvencies are produced by tradesmen's indolence, they keep no books, or at least imperfect ones, which they never balance, they never take stock, they employ servants, if their trade be extensive, whom they are too in dolent even to supervise, and then lecome insolvent. It is not too much to ear, that one half of all the persons engaged in tride, even in London, never take stock at all they go on year after year we bout knowing now their affairs stand, and at last, like the child at school, they find to their sur prise, but one halfpenny left in their pocket I will venture to say that not one fourth of all the persons in the provinces, either manufacturers, trades men, or farmers, ever take stock, nor in fact does one-half of them ever keep account books, deserving any other name than memorandum books know sufficient of the concerns of five hundred small trade-men in the provinces, to be enabled to say, that not one fifth of them ever tale stock. or keep even the most ordinary ac counts. I am prepared to say of such tradesmen, from carefully prepared

tables, giving every advantage where there has been any doubt as to the causes of their insolvency, that where nine happen from extravagance or dishonesty, one" at most "may be referred to misfortune alone"*

Is it rational to expect among the trading classes any high sense of justice, honour, or integrity, if the law enables men who act in this manner to shuffle off the consequences of their misconduct upon those who have been so unfortunate as to trust them, and practically proclaims that it looks upon insolvency thus produced, as a "misfortune," not an offence?

It is, of course, not denied, that in solvencies do arise from causes beyond the control of the debtor, and that, in many more cases, his culpability is not of a high order, and the law ought to make a distinction in favour of such cases, but not without a searching investigation, nor should the case ever be let go without having ascertained, in the most complete manner practi cable, not the fact of insolvency only, but the cause of it To have been trusted with money or money's worth, and to have lost or spent it, is prima facie evidence of something wrong and it is not for the creditor to prove, which he cannot do in one case out of ten, that there has been criminality, but for the debtor to rebut the presumption, by laying open the whole state of his affairs, and showing either that there has been no misconduct, or that the misconduct has been of an excusable kind. If he fail in this, he ought never to be dismissed without a punishment proportioned to the degree of blame which seems justly imputable to him, which punishment, however, might be shortened or mitigated in proportion as he appeared likely to exert himself in repairing the injury done

It is a common argument with those who approve a relaxed system of insolvency laws, that credit, except in the great operations of commerce, is an evil, and that to deprive creditors of legal redress is a judicious means of preventing credit from being given.

That which is given by retail dealers to unproductive consumers is, doubt, to the excess to which it is carned, a considerable evil. This, however, is only true of large, and especially of long, credits, for there is credit whenever goods are not paid for before they quit the shop, or, at least, the custody of the seller, and there would be much inconvenience in putting an end to this sort of credit a large proportion of the debts on which insolvency laws take effect, are those due by small tradesmen to the dealers who supply them and on no class of debta does the demoralization occasioned by a bad state of the law, operate more permiciously These are commercial credits, which no wishes to see curtailed, their existence is of great importance to the general industry of the country, and to numbers of honest, well-conducted persons of small means, to whom it would be a great injury that they should be prevented from obtaining the accommodation they need, and would not abuse, through the omission of the law to provide just remedies against dishonest or reckless borrowers

But though it were granted that retail transactions, on any footing but that of ready money payment, are an evil, and their entire suppression a fit object for legislation to aim at, a worse mode of compassing that object could scarcely be invented, than to permit those who have been trusted by others to cheat and rob them with im The law does not generally select the vices of mankind as the appropriate instrument for inflicting chas tisement on the comparatively innocent when it seeks to discourage any course of action, it does so by applying inducements of its own, not by outlawing those who act in the manner it deems objectionable, and letting loose the predatory instincts of the worthless part of mankind to feed upon them a man has committed murder, the law condemns him to death, but it does not promise impunity to anybody who may kill him for the sake of taking his The offence of believing another's word, even rashly, is not so

hemous that, for the sake of discourage ing it, the spectacle should be brought home to every door, of triumphant rascality, with the law on its side, mocking the victims it has made pestilent example has been very widely exhibited since the relaxation of the insolvency laws. It is idle to expect that, even by absolutely depriving creditors of all legal redress, the kind of credit which is considered objectionable would really be very much checked Rogues and swindlers are still an exception among mankind, and people will go on trusting each other's pro-Large dealers, in abundant business, would refuse credit, as many of them already do but in the eager competition of a great town, or the dependent position of a village shopkeeper, what can be expected from the tradesman to whom a single customer is of importance, the beginner, perhaps, who is striving to get into business? He will take the risk, even if it were still greater, he is ruined if he cannot sell his goods, and he can but be ruined if he is defrauded. Nor does it avail to say, that he ought to make proper inquiries, and ascertain the character of those to whom he supplies goods on trust. In some of the most flagrant cases of profligate debtors which have come before the Bankruptcy Court, the swindler had been able to give, and had given, excellent references 🕈

* The following extracts from the French Code of Commerce, (the translation is that of Mr Fane,) show the great extent to which the just distinctions are made, and the proper investigations provided for, by French law The word banqueroute, which can only be translated by bankruptey, is, however, confined in France to culpable insolvency, which is distinguished into simple bankruptey and frandulent bankruptey The following are cases of simple bankruptey

"Every modvent who, in the investigation of his affairs, shall appear chargeable with one or more of the following offences, shall be proceeded against as a simple bank-

rupt
"If his house expenses, which he is bound
to enter regularly in a day book, appear
excessive

"If he has spent considerable sums at play, or in operations of pure hazard "If it shall appear that he has borrowed

largely, or resold merchandize at a loss, or below the current price, after it appeared by

CHAPTER X

OF INTERFERENCES OF GOVERNMENT GROUNDED ON ERRONZOUS THEORIES.

From the necessary functions of government, and the effects produced on the economical interests of society by their good or ill discharge, we proceed to the functions which belong to what I have termed, for want of a better designation, the optional class, those which are sometimes assumed by , governments and sometimes not, and which it is not unanimously admitted

that they ought to exercise

Before entering on the general principles of the question, it will be ad visable to clear from our path all those cases, in which government interference works ill, because grounded on false views of the subject interfered with Such cases have no connexion with any theory respecting the proper limits of interference. There are some things with which governments ought not to meddle, and other things with which they ought, but whether right or wrong in itself, the interference must work for ill, if government, not

his last account taking that his debts ex ceeded his assets by one half

"If he has assued negotiable securities to three times the amount of his avail able sasets, seconding to his last secound

"The following may also be praceeded

ngamat as simple bankrupte :-

"He who has not declared his own insol vency in the manner prescribed by law
"He who has not come in and surrendered

within the time limited, having no legitimate excuse for his absence:

"He who either produces no books at all, or produces such as have been irregularly kept, and this although the irregularities may not indicate fraud.

The penalty for "simple bankruptcy imprisonment for a term of not less than one month, nor more than two years. The fol lowing are cases of fraudulent bankruptcy, of which the punishment is compulsory labour (the galleys) for a term "If he has attempted to account for his

property by fictitious expenses and losses, or if he does not fully account for all his receipts:

understanding the subject which it meddles with, meddles to bring about a result which would be mischievous We will therefore begin by passing in review various false theories, which have from time to time formed the ground of acts of government more or

less economically injurious

Former writers on political economy have found it needful to devote much trouble and space to this department of their subject. It has now happily become possible, at least in our own country, greatly to abridge this purely negative part of our discussions false_theories of political economy which have done so much mischief in times past, are entirely discredited. among all who have not lagged behind the general progress of opinion, and few of the enactments which were once grounded on those theories atill help to deform the statute book. As the principles on which their condemnation rests, have been fully set forth in other

"If he has fraudulently concealed any sum of money or any debt due to him, or

any merchandize or other moreables:
"If he has made fraudulent sales or gifts of his property

"If he has allowed fictitions debts to be proved against his estate

"If he has been entrusted with pro-perty, either merely to keep, or with special directions as to its use, and has nevertheless appropriated it to his own

"If he has purchased real property in a

borrowed name

"If he has concealed his books

The following may also be proceeded against in a similar way—
He who has not kept books, or whose books shall not exhibit his real situation as

regards his debts and credits
"He who, having obtained a protection (sauf-conduct), shall not have duly a

These various provisions relate only to commercial insolvency. The laws in regard to ordinary debts are considerably more rigorous to the debtor parts of this treatise, we may here content ourselves with a few brief indications

Of these false theories, the most notable is the doctrine of Protection to Native Industry, a phrase meaning the prohibition, or the discouragement by heavy duties, of such foreign com modifies as are capable of being produced at home If the theory involved in this system had been correct, the practical conclusions grounded on it would not have been unreasonable The theory was, that to buy things produced at home was a national benefit, and the introduction of foreign commodities, generally a national loss It being at the same time evident that the interest of the consumer is to buy foreign commodities in preference to domestic whenever they are either cheaper or better, the interest of the consumer appeared in this respect to be contrary to the public interest, he was certain, if left to his own inclinations, to do what according to the theory was injurious to the public

It was shown, however, in analysis of the effects of international trade, as it had been often shown by former writers, that the importation of foreign commodities, in the common course of traffic, never takes place, except when it is, economically speaking, a national good, by causing the same amount of commodities to be obtained at a smaller cost of labour and capital to the country To prohibit, therefore, this importation, or impose duties which prevent it, is to render the labour and capital of the country less efficient in production than they would otherwise be, and compel a waste, of the difference between the labour and capital necessary for the home production of the commodity, and that which is required for producing the things with which it can be purchased from The amount of national loss abroad thus occasioned is measured by the excess of the price at which the com modity is produced, over that at which it could be imported. In the case of manufactured goods, the whole difference between the two prices is absorbed in indomnifying the producers for waste of labour, or of the capital which supports that labour who are supposed to be benefited, namely the makers of the protected articles, (unless they form an exclusive company, and have a monopoly against their own countrymen as well against foreigners,) do not obtain higher profits than other people is sheer loss, to the country as well as to the consumer When the protected, article is a product of agriculture—the waste of labour not being incurred on! the whole produce, but only on what may be called the last instalment of it! —the extra price is only in part an indemnity for waste, the remainded being a tax paid to the landlords

The restrictive and prohibitory policy was originally grounded on what is called the Mercantile System, which representing the advantage of foreign trade to consist solely in bringing money into the country, gave artificial encouragement to exportation of goods, and discountenanced their importation The only exceptions to the system were those required by the system itself. The materials and instruments of production were the subjects of a contrary policy, directed however to the same end, they were freely im, ported, and not permitted to be exported, in order that manufacturers, being more cheaply supplied with the requisites of manufacture, might be able to sell cheaper, and therefore to export more largely For a similar reason, importation was allowed and even favoured, when confined to the productions of countries which were. supposed to take from the country still more than it took from them, thus enriching it by a favourable balance of As part of the same system, colonies were founded, for the supposed advantage of compelling them to buy our commodities, or at all events not ! to buy those of any other country return for which restriction, we were generally willing to come under an equivalent obligation with respect to the staple productions of the colonists The consequences of the theory were pushed so far, that it was not unusual oven to give bounties on expertation,

and induce foreigners to buy from us rather than from other countries, by a cheapness which we artificially produced, by paying part of the price for them out of our own taxes. This is a stretch beyond the point yet reached by any private tradesman in his competition for business. No shopkeeper, I should think, ever made a practice of briling customers by selling goods to them at a permanent loss, making it up to himself from other funds in his

possession The principle of the Mercantile Theory is now given up even by writers and governments who still cling to the restrictive system Whatever hold that system has over men's minds, independently of the private interests exposed to real or apprehended loss by its abandonment, is derived from fallacies other than the old notion of the benefits of heaping , up money in the country The most effective of these is the specious pleaof employing our own countrymen and our national industry, instead of feed ing and supporting the industry of The answer to this, from foreigners the principles laid down in former chapters, is evident Without reverting to the fundamental theorem discussed in an early part of the present treatise,* respecting the nature and sources of employment for labour, it is sufficient to say, what has usually been said by the advocates of free trade, that the alternative is not between em ploying our own people and foreigners. but between employing one class and another of our own people The 1m ported commodity is always paid for, directly or indirectly, with the produce of our own industry that industry being, at the same time, rendered more productive, since, with the same labour and outlay, we are enabled to possess ourselves of a greater quantity Those who have not of the article well considered the subject are apt to suppose that our exporting an equivalent in our own produce, for the foreign articles we consume, depends on con tingencies—on the consent of foreign

countries to make some corresponding relaxation of their own restrictions, or on the question whether those from whom we buy are induced by that circumstance to buy more from us, and that, if these things, or things equivalent to them, do not happen, the pay-Now, ment must be made in money in the first place, there is nothing L more objectionable in a money payment than in payment by any other medium, if the state of the market makes it the most advantageous re mittance, and the money itself was first acquired, and would again be replemshed, by the export of an equivalent value of our own products in the next place, a very short interval) if of paying in money would so lower prices as either to stop a part of the importation, or raise up a foreign demand for our produce, sufficient to pay, for the imports I grant that this disturbance of the equation of international demand would be in some de gree to our disadvantage, in the pur chase of other imported articles, and that a country which prohibits some foreign commodities, does, paribus, obtain those which it does not prohibit, at a less price than it would otherwise have to pay press the same thing in other words, a country which destroys or prevents altogether certain branches of foreign trade, thereby annihilating a general gain to the world, which would be shared in some proportion between itself and other countries—does, in some circumstances, draw to itself, at the expense of foreigners, a larger share than would else belong to it of the gain arising from that portion of its foreign trade which it suffers to aubsist But even this it can only be enabled to do, if foreigners do not maintain equivalent prohibitions or restrictions against its commodities any case, the justice or expediency of destroying one of two gains, in order to engross a rather larger share of the other, does not require much discussion the gain, too, which is destroyed, being, in proportion to the magnitude of the transactions, the larger of the two, since it is the one which capital,

left to itself, is supposed to seek by of the Protectionists has been so often

proference

Defeated as a general theory, the Protectionist dectrine finds support in some particular cases, from considera tions which, when really in point, in volve greater interests than mere saying of labour, the interests of national subsistence and of national defence, The discussions on the Corn Laws have familiarized everybody with the plea, that we ought to be independent foreigners for the food of the people, and the Navigation Laws were grounded, in theory and profes from, on the necessity of keeping up a "nursery of seamen" for the navy On this last subject I at once admit, that the object is worth the sacrifice. and that a country exposed to invasion by sea, if it cannot otherwise have suf ficient ships and sailors of its own to secure the means of manning on an emirgency an adequate fleet, is quite right in obtaining those means, even at an economical enoratice in point of che ipness of transport. When the I uglish navigation laws were enacted. the Dutch, from their maritime skill and their low rate of profit at home, were able to carry for other nations, lingland included, at cheaper rates than those nations could carry for themselves which placed all other countries at a great comparative disadvantage in obtaining experienced seamen for their ships of war Navigation Laws, by which this doficienci was remedied, and at the same time a blow struck against the maritime power of a nation with which England was then frequently engaged in hostilities, were probably, though economically disadvantageous, politi cally expedient. But English ships and sailors can now pavigate as cheaply as those of any other country, maintainmg at least an equal competition with the other maritime nations even in their own trade The ends which may once have justified Navigation Laws. require them no longer, and afforded I no reason for maintaining this invidious exception to the general rule of free trade

With regard to subsistence, the plea

and so triumphantly met, that it requires little notice here. That country is the most steadily as well as the most abundantly supplied with food! which draws its supplies from the largest surface. It is ridiculous to largest surface found a general system of policy on so improbable a danger as that of being at war with all the nations of the world at once, or to suppose that, even if inferior at sea, a whole country could be blockaded like a town, or that the growers of food in other countries would not be as anxious not to lose an advantageous market, as we should be not to be deprived of their com the subject, however, of subsistence, there is one point which deserves more especial consideration In cases of actual or apprehended scarcity, many countries of Europe are accustomed to stop the exportation of food. Is this, or not, sound policy? There can be no doubt that in the present state of international morality, a people cannot, any more than an individual, be blamed for not starving itself to feed others But if the greatest amount of good to mankind on the whole, were the end aimed at in the maxims of international conduct, such collective churlishness would certainly be con demned by them Suppose that in ordinary circumstances the trade in food were perfectly free, so that the price in one country could not habitu ally exceed that in any other by more than the cost of carriage, together with a moderate profit to the importer general scarcity ensues, affecting all countries, but in unequal degrees the price rose in one country more than in others, it would be a proof that in that country the scarcity was severest, and that by permitting food to go freely thither from any other coun try, it would be spared from a less urgent necessity to relieve a greater When the interests, therefore, of all countries are considered, free exporta tion is desirable To the exporting! country considered separately, it may, at least on the particular occasion, be an inconvenience but taking into account that the country which is now

the giver, will in some future season be the receiver, and the one that is benefited by the freedom, I cannot but think that even to the apprehension of food rioters it might be made apparent, that in such cases they should do to others what they would wish done to themselves

In countries in which the system of Protection is declining, but not yet wholly given up, such as the United States, a doctrine has come into notice which is a sort of compromise between 'free trade and restriction, namely, that sprotection for protection's sake is im proper, but that there is nothing objectionable in having as much protection as may incidentally result from a tariff framed solely for revenue in England, regret is sometimes ex pressed that a "moderate fixed duty" was not preserved on corn, on account of the revenue it would yield. pendently, however, of the general impolicy of taxes on the necessaries of this doctrine overlooks the fact, that revenue is received only on the 'quantity imported, but that the tax is paid on the entire quantity consumed To make the public pay much that the treasury may receive a little, is not an eligible mode of obtaining a revenue In the case of manufactured articles the doctrine involves a palpable incon sistency The object of the duty as a means of revenue, is inconsistent with its affording, even incidentally, any protection. It can only operate as protection in so far as it pievents im portation, and to whatever degree it prevents importation, it affords no 'revenue

The only case in which, on mere principles of political economy, proteoting duties can be defensible, is when they are imposed temporarily (especially in a young and rising nation) in hopes of naturalizing a foreign industry, in itself perfectly suitable to the circumstances of the country. The superiority of one country over another in a branch of production, often arises only from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of

acquired skill and experience country which has this skill and ex perience yet to acquire, may in other respects be better adapted to the production than those which were earlier in the field and besides, it is a just remark of Mr Rac, that nothing has a greater tendency to promote improve ments in any branch of production, than its trial under a new set of conditions But it cannot be expected that individuals should, at their own risk, or rather to their certain loss, introduce a new manufacture, and bear burthen of carrying it on until the producers have been educated up to the level of those with whom the processes are traditional. A protecting duty, continued for a reasonable time, will sometimes be the least inconvenient mode in which the nation can tax itself for the support of such an experiment But the protection should be confined to cases in which there is good ground of assurance that the in dustry which it fosters will after a time be able to dispense with it, nor should the domestic producers ever be allowed to expect that it will be con tinued to them beyond the time necessary for a fair trial of what they are capable of accomplishing

The only writer of any reputation as a political economist, who now adheres to the Protectionist doctrine, Mr H C Carey, rests its defence, in an economic point of view, principally on two reasons ... One is, the great saving in cost of carriage, consequent on producing commodities at or very near to the place where they are to be consumed. The whole of the cost of carriage, both on the commodities unported and on those exported in ex change for them, he regards as a direct burthen on the producers, and not, as is obviously the truth, on the consumers On whomsoever it falls, it is, without doubt, a burthen on tholy industry of the world. But it is obvious (and that Mr Carey does not see it, is one of the many surprising things in his book) that the burthen 18 only borne for a more than equi! valent advantage If the commodity i 18 bought in a foreign country with

domestic produce in spite of the double cost of carriage, the fact proves that, heavy as that cost may be, the saving in cost of production outweighs it, and the collective labour of the country is on the whole better remunerated than if the article were produced at home Cost of carriage is a natural protecting duty, which free trade has no power to abrogate and unless America gained more by obtaining her mann factures through the medium of her corn and cotton, than she loses in cost of carriage, the capital employed in producing corn and cotton in annually increased quantities for the foreign market, would turn to manufactures anstead The natural advantage atlending a mode of industry in which there is less cost of carriage to pay, can at most be only a justification for a temporary and merely tentative protection. The expenses of production being always greatest at first, it may happen that the home production, though really the most advantageous, may not become so until after a certain duration of pecuniary loss, which it is not to be expected that private speculators should mean in order that their successors may be benefited by their I have therefore conceded that in a new country, a temporary protecting duty may sometimes be economically defensible, on condition, however, that it be strictly limited in point of time, and provision be made that during the latter part of its existence it be on a gradually de-Such temporary procreasing scale tection is of the same nature as a patent, and should be governed by similar conditions

The remaining argument of Mr Carey in support of the economic benefits of Protectionism, applies only to countries whose exports consist of agricultural produce. He argues, that by a trade of this description they actually send away their soil, the distant consumers not giving back to the land of the country, as home consumers would do, the fertilizing elements which they abstract from it. This argument deserves attention, on account of the physical truth on which

it is founded, a truth which has only lately come to be understood, but which is henceforth destined to be a permanent element in the thoughts of statesmen, as it must always have been in the destinies of nations the question of Protectionism, how over, it is irrelevant That the immense growth of raw produce in America to be consumed in Europe, 18 progressively exhausting the soil of the Eastern, and even of the older Western States, and that both are already far less productive than formerly, is credible in itself, even if no one bore wit ness to it. But what I have already s ud respecting cost of carriage, is true also of the cost of manuring trade does not compel America to ex port corn, she would cease to do so, if it ceased to be to her advantage then, she would not persist in exporting raw produce and importing mann factures, any longer than the labour she saved by doing so, exceeded what the carriage cost her, so, when it became necessary for her to replace in the soil the elements of fertility which she had sent away, if the saving in cost of production were more than equivalent to the cost of carriage and. of manure together, manure would be imported, and if not, the export of corn would cease It is evident that one of these two things would already have taken place, if there had not been near at hand a constant succession of new soils, not yet exhausted of their fer tility, the cultivation of which enables her, whether judiciously or not, to postpone the question of manure soon as it no longer answers better to break up new soils than to manure the old. America will either become a regular importer of manure, or will without protecting duties grow corn for herself only, and manufacturing for herself, will make her manure, as Mr Carcy desires, at home *

* To this Mr Carey would reply (indeed, he has already so replied in advance), that of all commodities, manure is the least sus expitible of being conveyed to a distance. This is true of sewage, and of stable manure, but not true of the ingredients to which those manures owetheir efficiency. These, on the contrary, are chiefly sul stances containing

For these obvious reasons, I hall Mr Carev's economic arguments for Protectionism to be totally invalid. The economic, however, is far from being the strongest point of his care rican Protectionists often mason extremely all, but at an an angustice to a them to suppose that their Preter tionist creed rests upon nothing su perior to an economic blunder many of them have been led to it much more by consideration for the higher interests of humanity, than by purely eco-They, and Mr tan y nomic reasons at their head, deem it a neces are condition of human improvement that towns should abound that men thould combine their labour, by means of in terchange, with near neighbours—with people of pursuits capacities, and mental cultivation different fr m their town, sufficiently close at hand for mu 'tual sharpening of wits and enlarging of ideas-rather than with people on the opposite side of the glote thelieve that a nation all engaged in the same, or nearly the same, pursuit 1-a nation all agricultural-cannot at tain a high state of civilization and fruiture And for this there is a great foundation of reason If the difficulty can be overcome, the United States, with their free institutions, their uni versal schooling, and their omnipresent press, are the people to do it whether this is possible or not, is still a problem So far, however, as it is an object to check the excessive dispersion of the population, Mr Wake field has pointed out a better who

great fertilizing power in small bulk; such a stances of which the human body requires but a small quantity, and hence peculiarly susceptible of being imported. The mineral alkalies and the phosphates. The question, minered, mainly concerns the phosphates; for of the alkalies, soda is procurable everywhere while potass, being one of the constituents of granite and the other feldspather rocks exist in many subsoils, by whose progressive decomposition it is renewed a large quantity also being brought down in the deposits of rivers. As for the phosphates, they, in the very convenient form of pulverised bones, are a regular article of commerce, largely imported into England, as they are sure to be into any country where the conditions of price.

module the existing method of disposing of the en-capital lands, by rusing the r price, instead of lower- t ing it, or giving away tue la il gratu tonely, as is law by done s'une the passing of the Homesterd Act cut the Lort in Mr Carry & feeling by Projectionism, it would be necessity that Ohio and Mich can should be projected activet flore whileste as well as against Ingland for the manufactor a of New Englard, no riore than those of the o'l country, accomplish his desideration of bring ing a rianular turing population to the donre of the Western farmer Boston ar I New York do not supply the want of local towns to the Western Pro rice, any better than Manchester, and it is as difficult to get back the manure from the one place as from the other, y

There is only one part of the Pro-, tectionis' relience which requires any further notice - its policy townsis colonies, and fore on dip odencies, that of compelling them to tride excludiely with the dominant country. A country which this excures to itself an extra foreign demand for its commodities, undoubtelle gives iteelf some advan tage in the distribution of the general gains of the commercial world Since, however, it causes the industry and capital of the colony to be diverted from channels, which are proved to be the most productive, masmuch as they are those into which industry and ca pital spontaneously tend to flow, there is a loss, on the whole, to the productive powers of the world, and the mother country doer not gain so much as she makes the colony lose therefore, the mother country refuses to ecknowledge any reciprocity of obligation, she imposes a tribute on the colony in an indirect mode, greatly more oppressive and injurious than the But if, with a more equitable epirit, she submits herself to corresponding restrictions for the benefit of the colony, the result of the whole transaction is the indiculous one, that !! each party loses much, in order that the other may gain a little

\$ 2. Next to the system of Protec-

tion, among mischievous interferences with the spontaneous course of industrial transactions, may be noticed certain interferences with contracts One instance is that of the Usury Laws These originated in a religious prejudice against receiving interest on money, derived from that fruitful source of mischief in modern Europe, the sttempted adaptation to Christianity of doctrines and precepts drawn from the Jewish law In Mahomedan nations the receiving of interest is formally interdicted, and rigidly abstained from, and Sismondi has noticed, as one among the causes of the industrial inferiority of the Catholic, compared with the Protestant parts of Europe, that the Catholic church in the Middle Ages gave its sanction to the same prejudice, which subsists, impaired but not destroyed, wherever that religion is Where law or conacknowledged scientious scruples prevent lending at interest, the capital which belongs to persons not in business is lost to productive purposes, or can be applied to them only in peculiar circumstances of personal connexion, or by a subterfuge Industry is thus limited to the capital of the undertakers, and to what they can borrow from persons not bound by the same laws or religion as them In Mussulman countries the bankers and money dealers are either Hindoos, Armenians, or Jews

In more improved countries, legislation no longer discountenances the recerpt of an equivalent for money lent, but it has everywhere interfered with the free agency of the lender and borrower, by fixing a legal limit to the rate of interest, and making the recerpt of more than the appointed maximum a penal offence This restriction, though approved by Adam Smith, has been condemned by all enlightened persons since the triumphant onslaught made upon it by Bentham in his "Letters on Usury," which may still be referred to as the best extant writing

on the subject.

Legislators may enact and maintain Usury Laws from one of two mouves ideas of public policy, or concern for

tract, in this case, of one party only, the borrower As a matter of policy. the notion may possibly be, that it is for the general good that interest should be low It is however a mis apprehension of the causes which in fluence commercial transactions, to suppose that the rate of interest is really made lower by law, than it would be made by the spontaneous play of supply and demand. If the competition of borrowers, left unrestrained, would raise the rate of interest to six per cent, this proves that at five there would be a greater demand for loans, than there is capital in the market to If the law in these circum stances permits no interest beyond five per cent, there will be some lenders, who not choosing to disober the law, and not being in a condition to employ their capital otherwise, will content themselves with the legal rate others, finding that in a season of pressing demand, more may be made of their capital by other means than they are permitted to make by lending it. will not lend it at all, and the loan able capital, already too small for the demand, will be still further dimi Of the disappointed candidates there will be many at such periods, who must have their necessities supplied at any price, and these will readily find a third section of lenders, who will not be averse to join in a violation of the law, either by circuitous transactions partaking of the nature of fraud, or by relying on the honour of the borrower The extra expense of the roundabout mode of proceeding, and an equivalent for the risk of non payment and of legal penalties, must be paid by the borrower, over and above the extra interest which would have been required of him by the general state of the market laws which were intended to lower the price paid by him for pecuniary accom modation, end thus in greatly increasing. These laws have also a directly demoralizing tendency Knowing the difficulty of detecting an illegal pecu mary transaction between two persons, in which no third person is involved, so the interest of the parties in the con- long as it is the interest of both to keep

the secret, legislators have adopted the expedient of tempting the borrower to become the informer, by making the annulment of the debt a part of the penalty for the offence, thus row inling men for obtaining the property of others by falce promises, and then not only refusing payment, but invoking legal penalties on those who have helped them in their need. The moral sense of mankind very rightly in famires those who resist an otherwise just claim on the ground of usury, and tolerates such a plea only when resorted to as the best legal defence available against an attempt really considered as partaking of fraid or But this very seventy of public opinion renders the enforce ment of the laws so difficult, and the infliction of the penalties so rare, that when it does occur it merely victimizes an individual, and has no effect on

general practice

In so far as the motive of the restriction may be supposed to be, not public policy, but regard for the interest of the borrower, it would be difficult to point out any case in which such tenderness on the legislator's part is more misplaced. A person of sine mind, and of the age at which persons are legally competent to conduct their own concerns, must be presumed to be a sufficient guardian of his pecuniary If he may sell an estate, or interests. grant a release, or assign away all his property, without control from the law, it seems very unnecessary that the only bargain which he cannot make without its intermeddling, should be a loan of money The law seems to presume that the money lender, dealing with necessitous persons, can take ad vantage of their necessities, and exact conditions limited only by his own plea-It might be so if there were only one money lender within reach But when there is the whole monied capital of a wealthy community to resort to, no borrower is placed under any disadvantage in the market merely by the urgency of his need. If he can not borrow at the interest paid by other people, it must be because he cannot gire such good accuraty and stances, and which helps to make our

competition will limit the extra demand to a fur equivalent for the rick of his proving insolvent. Thrugh the law intends tarour to the burrower, it es to him abose all that mustire is, in this case, done by it. If has can be more unjust than that a perion who cannot give perfectly good recourse, should be prevented from Lorrowing of perents who are willing to lend morely to him, by their net loing permitted to receive the rate of interest which would be a just equivalent for their nak! Through the mi-taken kindness of the law, he must et her go without the money which is perhaps processory to save him from much greater losses, or be driven to expedients of a far more runsus description, which the law either has not found it poes vie, or has not happened, to interdict

Adam Smith rather has ily expresend the opinion, that only two kinds of persons, "produgals and profectors " could require to porrow money at more than the market rate of mil He should have included all persons who are in any preuniary dilliculties, however temporary their pecoesities may be. It may happen to any person in business, to be disappointed of the resources on which he had calculated for meeting some en gagement, the non fulfilment of which on a fixed day would be bankruptey In periods of commercial difficulty, this is the condition of many prosperous mercantile firms, who become compotitors for the small amount of dispusable capital which, in a time of general distrust, the owners are willing to part Under the English usury laws, now happily abolished, the limitations imposed by those laws were felt as a most serious aggravation of every com mercial crisis Merchants who could have obtained the aid they required at an interest of seven or eight per cent for short periods, were oblighed to grie 20 or 30 per cent, or to resort to forced sales of goods at a still greater loss Experience having obtruded these evils on the notice of Parliament, the sort of compromise took place, of which English legislation affords so many in-

laws and policy the mass of incon sistency that they are. The law was reformed as a person reforms a tight shoe, who cuts a hole in it where it purches hardest and continues to wear Retaining the erroneous principle as a general rule, Parliament allowed an exception in the case in aluch the practical mischief was most the mut It left the usury laws unrepealed, but exempted bills of exchange, of not more than three months' date, from their operation Some years afterwards the lans were repealed in regard to all other contracts, but left in force as to all those which relate to land particle of reason could be given for n aking this extraordinary distinction, but the "agricultural mind" was of opinion that the interest on mortgages, though it hardly ever came up to the permitted point, would come up to a still higher point, and the usury laws were maintained that the land lords might, as they thought, be enabled to borrow below the market rate, as the corn lass were kept up that the arme class might be able to sell corn The modesty above the market rate In the pretension was quite worthy of the intelligence which could think that the end aimed at was in any way for warded by the means used

With regard to the "prodigals and projectors" spoken of by Adam Smith, no law can prevent a produgal from runing himself, unless it lays him or his property under actual restraint, secording to the unjustifiable practice of the Loman Law and some of the Continental systems founded on it The only effect of usury laws upon a produgal, is to make his ruin rather more expeditious, by driving him to a disreputable class of money dealers, and rendering the conditions more onerous by the extra risk created by As for projectors, a term, in its unfavourable sense, rather unfairly applied to every person who has a project, such laws may put a veto upon the prosecution of the most promising enterprise, when planned, as it generally 18, by a person who does not possess capital adequate to its success ful completion Many of the greatest |

improvements were at first looked shift on by capitalists, and had to wait long before they found one sufficiently adventurous to be the first in a new path many years clapsed before Ste phenson could convince even the enterprising mercantile public of Liverpool and Manchester, of the advantage of substituting railways for turnpike. roids, and plans on which great labour and large sums have been expended with little visible result, (the epoch in their progress when predictions of failure are most rife,) may be indefi nitely suspended, or altogether dropped. and the outlay all lost, if, when the original funds are exhausted, the law will not allow more to be raised on the terms on which people are willing to expose it to the chances of an enterprise not yet secure of success

§ 3 Loans are not the only kind of contract, of which governments havel thought themselves qualified to regu late the conditions better than the persons interested There is scarcely any commodity which they have not, at some place or time, endeavoured to make either dearer or cheaper than it would be if lest to itself The most plausible case for artificially cheapen! ing a commodity, is that of food desirableness of the object is in this chée undeniable But since the average price of food, like that of other things, conforms to the cost of produc tion with the addition of the usual profit, if this price is not expected by the farmer, he will, unless compelled by law, produce no more than he requires for his own consumption and the law therefore, if absolutely determined to have food cheaper, must substitute, for the ordinary motives to cultivation, a system of penalties it shrinks from doing this, it has no resource but that of taxing the whole nation, to give a bounty or premium to the grower or importer of corn, thus giving everybody cheap bread at the expense of all in reality a largess to those who do not pay taxes, at the ex pense of those who do, one of the forms of a practice essentially bad, that of converting the working classes into!

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t present of subsistence

It is not however so much the genral or average price of food as its occasional high price in times of emergency, which governments have studied to reduce. In some cases, as for ex ample the famous "maximum" of the revolutionary government of 1793, the compulsory regulation was an attempt by the ruling powers to counteract the necessary consequences of their own acts, to scatter an indefinite alundance of the circulating medium with one hand, and keep down prices with the other, a thing manifestly impos sible under any regime except one of unmiligated terror In case of actual scarcity, governments are often urged, as they were in the Irish emergency of 1847, to take measures of some sort for moderating the price of food the price of a thing cannot be raised by deficiency of supply, beyond what is sufficient to make a corresponding reduction of the consumption, and if a government prevents this reduction from being brought about by a rise of price, there remains no mode of effect ing it unless by taking possession of all the food, and serving it out in rations, as in a besieged town real scarcity, nothing can afford general relief, except a determination by the richer classes to diminish their own consumption If they buy and consume their usual quantity of food, and content themselves with giving money they do no good The price is friend up until the poorest curpetitore have no longer the means of competing, and the privation of food is thrown exclu sively upon the indigent, the other classes being only affected pecuniarily When the supply is insufficient, somebody must consume less, and if every rich person is determined not to be that somebody, all they do by subsidizing their poorer competitors is to force up the price so much the higher, with no effect but to enrich the corn-dealers, the very reverse of what is desired by those who recommend such measures 'All that governments can do in these smergencies, is to counsel a general moderation in consumption, and to in

unworking classes by making them a fit-dict rich thele of it as are not of primary toiportance. Throof measures: nt the cost of the state to proving food from a distance, are expedient when from peculiar renema the thing is not likely to be done by private speculation In any other case they are a great Pertate speculators will rot, in such cases venture to compete with the government, and though a govern ment can do more than any one mer chant, it cannot do nearly ro much as etardərəm ila

> Gorerimenta, however, ara' of ner chargeable with having at tempted, to encerefully, to maker things dear, than with having airped; by women rierns at making their, cheap The usual instrument for producing artificial dearness is manapole In confer a monopoly upon a producer or dealer, or upon a set of producers or dealers not too numerous to combine, is to give them the power of leving any amount of taxation on the public, for their individual benefit, which will not make the public forego the use of the commodite. When the sharers in the monopoly are so numerous and so nidely conttered that they are prevented from combining, the exit is considerably less but oven then the i competition is not so active among a limited, as among an unlimited num-Those who feel assure I of a furaverage proportion in the general business, are soldom enger to get a larger share, by foregoing a portion of their profits. A limitation of competition, however partial, may have mechievous effects quito disproportioned to the apparent cause The mere ex clusion of foreigners, from a branch of indistry open to the free competition of every native, has been known, even in England, to render that branch a conspicuous exception to the general industrial energy of the country silk manufacture of I ngland remained far behind that of other countries of Europe, so long as the foreign fabrics were prohibited. In addition to the tax levied for the profit, real or imagi nary, of the monopolists, the consumer' thus pays an additional tax for their

laziness and incapacity When re-1 licved from the immediate stimulus of competition, producers and dealers grow indifferent to the dictates of their / ultimate pecuniary interest, preferring to the most hopeful prospects, the precent erse of adhering to routine person who is already thriving, seldom puts himself out of his way to com mence even a lucrative improvement, unless urged by the additional motive of fear lest some rival should supplant him by getting possession of it before

The condemnation of monopolies ought not to extend to patents, by which the originator of an improved process is allowed to enjoy, for a limited period, the exclusive privilege of using This is not his own improvement making the commodity dear for his benefit, but merely postponing a part | of the increased cheapness which the public owe to the inventor, in order to compensate and reward him for the That he ought to be both compensated and rewarded for it, will not be denied, and also that if all were lat once allowed to avail themselves of this ingenity, without having shared the labours or the expenses which he lind to incur in bringing his idea into a practical shape, either such expenses and labours would be undergone by inobody, except very opulent and very [public-spirited persons, or the state must put a value on the service ren dered by an inventor, and make him a pecuniary grant This has been done in some instances, and may be done without inconvenience in cases of very conspicuous public benefit, but in general an exclusive privilege, of temporary duration, is preferable, because it leaves nothing to any one's discretion, because the reward conferred by it depends upon the invention's being found useful, and the greater the usefulness the greater the reward, and because it is paid by the very persons to whom the service is rendered, the consumers of the commodity So decisive, indeed, are those considerations, that if the system of patents were abandoned for that of rewards by the state, the best shape which these could !

assume would be that of a small temporary tax, imposed for the inventor's benefit, on all persons making use of the invention. To this, however, or to any other system which would vest in the state the power of deciding whether an inventor should derive any pecumary advantage from the public benefit which he confers, the objections are evidently stronger and more fundamental than the strongest which can possibly be urged against patents is generally admitted that the present Patent Laws need much improvement. but in this case, as well as in the closely analogous one of Copyright, it would be a gross immorality in the law to set everybody free to use a person's work without his consent and without giving him an equivalent I have scen with real alarm several recent attempts, in quarters carrying some authority, to impugn the principle of patents altogether, attempts which, if practically successful, would enthrone free stealing under the prostituted name of free trade, and make the men of brains, still more than at present, the needy retainers and dependents of the men of money bags

I pass to another kind of go-\ vernment interference, in which the end and the means are alike odious! but which existed in England until not so much as a generation ago, and in France up to the year 1864 mean the laws against combinations of workmen to raise wages, laws en acted and maintained for the declared purpose of Leeping wages low, as the famous Statute of Labourers was passed by a legislature of employers, to prevent the labouring class, when its numbers had been thinued by a pesti lence, from taking advantage of the diminished competition to obtain higher. Such laws exhibit the infernal spirit of the slave master, when to retain the working classes in avowed slavery has ceased to be practicable

If it were possible for the working classes, by combining among them selves, to raise or keep up the general rate of wages, it needs hardly be said that this would be a thing Lut to be O ? 2

punished, but to be welcomed and rejoiced at Unfortunately the effect is quite beyond attainment by such The multitudes who compose means the working class are too numerous and too widely scattered to combine at all, much more to combine effectually If they could do so, they might doubtless succeed in diminishing the hours of labour, and obtaining the same But if they wages for less work. aimed at obtaining actually higher wages than the rate fixed by demand and supply—the rate which distributes the whole circulating capital of the country among the entire working population-this could only be accom plished by keeping a part of their number permanently out of employment As support from public charity would of course be refused to those who could get work and would not accept it, they would be thrown for support upon the trades union of which they were members, and the workpeople collectively would be no better off than before, having to support the same numbers out of the same aggregate wages In this way, however, the class would have its attention forcibly drawn to the fact of a superfluity of numbers, and to the necessity, if they would have high wages, of proportioning the supply of labour to the demand

Combinations to keep up wages are sometimes successful, in trades where the workpeop c are few in num ber, and collected in a small number of I local centres It is questionable if com binations ever had the smallest effect on the permanent remuneration of spinners or weavers, but the journeymen type founders, by a close combination, are able, it is said, to keep up a rate of wages much beyond that which is usual in employments of equal hardness and skill, and even the tailors, a much more numerous class, are understood to have had, to some extent, a similar success A rise of wages, thus confined to particular employments, is not (like a rise of general wages) defrayed from profits. but raises the value and price of the particular article, and falls on the con-

commodity being only injured in so far as the high price tends to narrow the market, and not even then, unless it does so in a greater ratio than that of the use of puce for though, at higher wages, he employs, with a given capital, fewer workpeople, and obtains less of the commodity, yet, if he can sell the whole of this diminished quantity at the higher price, his profits are as great as before

This partial rise of wages, if not gained at the expense of the remainder of the working class, ought not to be regarded as an evil The consumer, indeed, must pay for it, but cheapness of goods is desirable only when the cause of it is that their production costs little labour, and not when occa sioned by that labour s being ill remul nerated It may appear, indeed, first sight, that the high wages of the type founders (for example) are obtained at the general cost of the labour-, This high remuneration either causes fewer persons to-had employment in the trade, or, if not, must lead to the investment of more capital in it, at the expense of other trades in the first, case, it throws an additional number of labourers on the general market, in the second, it withdraws from that market a portion of the demand effects, both of which are myu rious to the working classes indeed, would really be the result of a successful combination in a particular trade or trades, for some time after its formation, but when it is a permanent thing, the principles so often insisted upon in this treatise, show that it can The habitual have no such effect earnings of the working classes at large, can be affected by nothing but the habitual requirements of the labouring? people these indeed may be altered, but while they remain the same, wages never fall permanently below the standard of these requirements, and do not long remain above that standard there had been no combinations in particular trades, and the wages of those trades had never been kept above the common level, there is no reason to suppose that the common level would sumer, the capitalist who produces the | have been at all higher than it now is There would merely have been a greater pumber of people altogether, and a smaller number of exceptions to the

ordinary law rate of wager

there'ere, no unprovement were to be noted for in the general circum stonees of the working classes, the succreat of a portion of them, however small, in keeping their wages be confunction alove the market rate, would be wholly a matter of satisfaction the elevation of the character and condition of the entire lede has at last become a thing not less not the neach of rational effort, it is time that the latter prid classes of skilled artisins should arek thur own advantage in ecumies with, and not by the exclusion of their fellow labourers. While they continue to fix their hopes on hedging ther is elves in against competition, and prefecting their own wages by shutting out others from access to their employment, nothing better can be expected from them than that total abserce of any large and generous aims, that al most open disregard of all other objects than high wages and little work for their own small body, which were so deplorably evident in the proceedings and manifestors of the Amalgamated Society of Engineers during their quarrel with their employers. Success, even if attainable, in ruising up a protected class of working people, would now be a hindrance, instead of a help, to the · emancipation of the working classes at large

But though combinations to keep up wages are reldem effectual, and when effectual, are, for the reasons which I have assigned, seldom desirable, the nght of making the attempt is one which cannot be refused to any portion of the working population without great injustice, or without the probability of fatally misleading them respecting the circumstances which determine their So long as combinations to condition raise wages were prohibited by law, the law appeared to the operatives to be the real cause of the low wages which there was no denying that it had done its best to produce Expenence of strikes has been the best teacher of the labouring classes on the subject

of the relation between wages and the demand and supply of labour and it is most important that this course of instruction should not be disturbed

It is a great error to condemn, per se and absolutely, either trades unions or the collective action of strikes grant that a strike is wrong whenever it is foolish, and it is foolish whenever it attempts to raise wages above that market rate which is rendered possible by the demand and supply But demand and supply are not physical agencies, which thrust a given amount of wages into a labourer's liand without the participation of his own will and The market rate is not fixed for him by some self acting instrument, but 14 the result of bargaining between human beings-of what Adam Smith calls "the higgling of the market," and those who do not "higgle" will long continue to pay, even over a counter, more than the market price for their purchases Still more might poor labourers who have to do with rich employers, remain long without the amount of wages which the demand for their labour would justify, unless, in vernacular phrase, they stood out for and how can they stand out for terms without organized concert? What \ chance would any labourer have, who struck singly for an advance of wages? How could be even know whether the state of the market admitted of a rise, except by consultation with his fellows, naturally leading to concerted action? I do not hesitate to say that associa tions of labourers, of a nature similar to trades unions, far from being a hindrance to a free market for labour, and the necessary instrumentality of that free market, the indispensable means of enabling the sellers of labour to take due care of their own interests under a system of competition There's is an ulterior consideration of much importance, to which attention was for the first time drawn by Professor Faw cett, in an article in the Westminster Experience has at length enabled the more intelligent trades to take a tolerably correct measure of the circumstances on which the success of a strike for an advance of wages depends as well informed as the master, of the state of the market for his commodi ties, they can calculate his gains and his expenses, they know when his trade is or is not prosperous, and only when it is, are they ever again likely to strike for higher wages, which wages their known readiness to strike makes their employers for the most part willing, in The tendency, that case, to concede therefore, of this state of things is to make a rise of wages, in any particular trade, usually consequent upon a rise of profits, which, as Mr Fawcett observes, is a commencement of that regular participation of the labourers in the profits derived from their labour, every tendency to which, for the rea sons stated in a previous chapter,* it 18 so important to encourage, since to it we have chiefly to look for any radical improvement in the social and economical relations between labour and Strikes, therefore, and the capital trade societies which render strikes possible, are for these various reasons not a mischievous, but on the contrary, a valuable part of the existing ma chinery of society

It is, however, an indispensable condition of tolerating combinations, that they should be voluntary No severity, necessary to the purpose, is too great to be employed against attempts to compel workmen to join a union, or take part in a strike, by threats or Mere moral compulsion, by violence the expression of opinion, the law ought not to interfere with, it belongs to more enlightened opin on to restrain it, by rectifying the moral sentiments of the people Other questions arise when the combination, being voluntary, proposes to itself objects really con trary to the public good. High wages and short hours are generally good objects, or, at all events, may be so but in many trades unions, it is among the rules that there shall be no task work, or no difference of pay between the most expert workmen and the most un skilful, or that no member of the union shall earn more than a certain sum per tweek, in order that there may be more

* Supra, book v chap vil

The workmen are now nearly | employment for the rest, and the about lition of piece work, under more or less of modification, held a conspicuous place among the demands of the Amal-These are combinagamated Society tions to effect objects which are permacious Their success, even when only partial, is a public mischief, and were it complete, would be equal in magnitude to almost any of the evils arising from bad economical legislation Hardly anything worse can be said of the worst laws on the subject of industry and its remuneration, consistent with the personal freedom of the labourer, than that they place the energetic and the idle, the skilful and the incompetent, on a level and this, in so far as it is in itself possible, it is the direct tendency of the regulations It does not, ! of these umons to do however, follow as a consequence that the law would be warranted in making the formation of such associations il-Independently legal and punishable of all considerations of constitutional liberty, the best interests of the human race imperatively require that all economical experiments, voluntarily undertaken, should have the fullest heense, and that force and fraud should be the only means of attempting to benefit themselves, which are inter dicted to the less fortunate classes of the community †

> Among the modes of undue § 6 exercise of the power of government, on which I have commented in this

† Whoever desires to understand the ques tion of Trade Combinations as seen from the point of irrade combinations as seen from the point of item of the working people, should make himself acquainted with a pamphlet published in 1860, under the title "Trades Unions and Strikes, their Philosophy and Intention, by T J Dunning, Secretary to the London Consolidated Society of Bookbinders There are many opinions in this able tract in which I only partially, and some able tract in which I only partially, and some in which I do not at all, coincide But there are also many sound arguments, and an instructive exposure of the common fallscres of opponents Readers of other classes will see with surprise, not only how great a por-tion of truth the Unions have on their side, but how many laws of their side, but how much less flagrant and condemnable even their errors appear, when seen under the aspect in which it is only natural that the working classes should themselves regard them

chapter, I have included only such as frest on theories which have still more or less of footing in the most enlightened countries I have not spoken of some which have done still greater mischief in times not long past, but which are now generally given up, at least in theory, though enough of them still remains in practice to make it impossible as yet to class them among

exploded errors The notion, for example, that a government should choose opinions for the people, and should not suffer any doctrines in politics, morals, law, or religion, but such as it approves, to be printed or publicly professed, may be said to be altogether abandoned as a general thesis It is now well understood that a régime of this sort is fatal to all prosperity, even of an econo mical kind that the human mind, when prevented either by fear of the law or by fear of opinion from exercising its faculties freely on the most important subjects, acquires a general torpidity and imbecility, by which, when they reach a certain point, it is disqualified from making any considerable advances even in the common affairs of life, and which, when greater sull, make it gradually lose even its There cannot previous attainments be a more decisive example than Spain and Portugal, for two centuries after the Reformation The decline of those countries in national greatness, and even in miterial civilization, while almost all the other nations of Europe

were uninterruptedly advancing, has been ascribed to various causes, but, there is one which lies at the founda, tion of them all the Holy Inquisition, and the system of mental slavery of which it is the symbol

Yet although these truths are very widely recognised, and freedom both of opinion and of discussion is admitted as an axiom in all free countries, this apparent liberality and tolerance has acquired so little of the authority of a principle, that it is always ready to give way to the dread or horror inspired by some particular sort of Within the last ten or fifteen years several individuals have suffered imprisonment, for the public profession, sometimes in a very tem. perate manner, of disbelief in religion, and it is probable that both the public and the government, at the first punic which arises on the subject of Chartism or Communism, will fly to similar means for checking the propagation of democratic or anti-property doctrines. In this country, however, the effective restraints on mental freedom proceed much less from the law or the govern ment, than from the intolerant temper of the national mind, arising no longer from even as respectable a source as bigotry or fanaticism, but rather from the general habit, both in opinion and conduct, of making adherence to custom the rule of life, and enforcing it, by social penalties, against all persons who, without a party to back them, assert their individual independence

CHAPTER XI.

OF THE GROUNDS AND LIMITS OF THE LAISSER PAIRE OR NON-INTERFERENCE PRINCIPLE.

part of our undertaking, the discussion, so far as suited to this treatise (that is, so far as it is a question of principle, not detail) of the limits of it. No subject has been more keenly the province of government, the ques- | contested in the present age | the con-

US 1. We have now reached the last I tion, to what objects governmental intervention in the affairs of society may or should extend, over and above those which necessarily appertain to

568 test, however, has chiefly taken place | trolling the free a cone; of individuals. BOOK V round certain select points, with only flying excursions into the rest of the Those indeed who have discussed any particular question of government interference, such as state education (spiritual or secular), regu lation of hours of labour, a public provision for the poor, &c, have often lealt largely in general arguments, far outstretching the special application made of them, and have shown a suffi ciently strong bias either in favour of letting things alone, or in favour of meddling, but have seldom declared, or apparently decided in their own minds, how far they would carry either principle The supporters of interference have been content with asserting a general right and duty on the part of government to intervene, wher ever its intervention would be useful and when those who have been called the lauseer faire school have attempted any definite limitation of the province of government, they have usually re stricted it to the protection of person and property against force and fraud, a definition to which neither they nor any one else can deliberately adhere, since it excludes, as has been shown in a preceding chapter, * some of the

most indispensable, and unanimously recognised, of the duties of govern Without professing entirely to supply this deficiency of a general theory, on a question which does not, as I concerve, admit of any universal solu tion, I shall attempt to afford some little and towards the resolution of the class of questions as they arise, by examining, in the most general point of view in which the subject can be considered, what are the advantages, and what the evils or inconveniences, of government interference

We must set out by distinguishing between two kinds of intervention by the government, which, though they may relate to the same subject, differ widely in their nature and effects, and require, for their Justification, motives of a very different degree of urgency The intervention may extend to con Supra, book v ch L

Government may interdict all persons from doing certain things, or from doing them without ite authorization, or may prescribe to them certain things to be done, or a certain manner of doing things which it is left optional with them to do or to abstain from This is the anthorstative interference of intervention which is not authoritative when a government instead of issuing a command and enforcing it by penaltics, adopts the course so seldom resorted to by governments, and of which such important use might be made, that of giving advice, and promulgating information, or when, leaving individuals free to use their own means of pursuing any object of general interest, the government, not meddling with them, but not trusting the object solely to their care, establishes, side by side with their arrangements, an agency of its own for a like purpose Thus, it is one thing to maintain a Church Establishment, and another to refuse teleration to other religions, or to persons processing; no religion It is one thing to provide schools or colleges, and another to require that no person shall act as an instructor of youth without a government license There might be a national bank, or a government manu factory, without any monopoly against There might be a post office, without manufactories ! penalties against the conveyance of lettors by other means There may be a corps of government engineers for civil purposes, while the profession of a civil engineer is free to be adopted by every one. There may be public hospitals, without any restriction upon private medical or surgical practice

\$ 2 It is evident, even at first sight, that the authoritative form of, government intervention has a much more limited sphere of legitimate action than the other much stronger necessity to Justify it in any case, while there are large departments of human life from which it must be unreservedly and imper '77' onsly excluded Whatever theory we l adopt respecting the foundation of the social union, and under whatever po hineal institutions we live, there is a circle around every individual human being, which no government, be it that of one, of a few, or of the many, ought to be permitted to overstep there is a part of the life of every person who has come to years of discretion, within which the individuality of that person bught to reign uncontrolled either by any other individual or by the public collectively That there is, or ought to be, some space in human existence thus entrenched around, and sacred from authoritative intrusion, no one who professes the smallest regard to human freedom or dignity will call in question the point to be determined is, where the limit should be placed, how large a province of human life this reserved territory should include I apprehend that it ought to include all that part which concerns only the life, whether inward or outward, of the individual, and does not affect the interests of others, or affects them only through the moral influence of example respect to the domain of the inward consciousness, the thoughts and feel ings, and as much of external conduct as is personal only, involving no consequences, none at least of a painful or injurious kind, to other people, I hold that it is allowable in all, and in the more thoughtful and cultivated often a duty, to assert and promulgate, with all the force they are capable of, their opinion of what is good or bad, admirable or contemptible, but not to com pel others to conform to that opinion, whether the force used is that of extralegal coercion, or exerts itself by means of the law

Even in those portions of conduct which do affect the interest of others, the onus of making out a case always lies on the defenders of legal prohibitions. It is not a merely constructive or presumptive injury to others, which will justify the interiorence of law with individual freedom. To be prevented from doing what one is inclined to, or from acting according to one's own industry and General Research of the state of the state

only always irksome, but always tends, pro tanto, to starve the development of some portion of the bodily or mental faculties, either sensitive or active, and unless the conscience of the individual goes freely with the legal re straint, it partakes, either in a great or in a small degree, of the degrada; tion of slavery Scarcely any degree of utility, short of absolute necessity? will justify a prohibitory regulation unless it can also be made to recommend itself to the general conscience unless persons of ordinary good intentions either beheve already, or can be induced to believe, that the thing prohibited is a thing which they ought not to wish to do

It is otherwise with governmental interferences which do not restrain individual free agency When a govern ment provides means for fulfilling a certain end, leaving individuals free to avail themselves of different means if in their opinion preferable, there is no infringement of liberty, no irksome or degrading restraint One of the principal objections to government interference is then absent There is, how ever, in almost all forms of government ngency, one thing which is compulsory, the provision of the pecuniary means These are derived from taxation, or, if existing in the form of an endowment derived from public property, they are still the cause of as much compulsory taxation as the sale or the annual proceeds of the property would enable to be dispensed with # And the objection necessarily attaching to compulsory contributions, is almost always greatly aggravated by the expensive precautions and onerous restrictions, which are indispensable to prevent evasion of a compulsory tax

The only cases in which government agency involves nothing of a compulsory nature, are the rare cases in which, without any artifloial monopoly, it pays its own expenses. A bridge built with public money, on which tolls are collected, sufficient to pay not only all current expenses, but the interest of the original outlay is one case in point. The government railways in Belgium and Germany are snother example. The Post Office, if its monopoly were abolished, and it still paid it expenses, would be another.

'A second general objection to government agency, is that every in crease of the functions devolving on the government is an increase of its power, both in the form of authority, and still more, in the indirect form of influence The importance of this con sideration, in respect to political freedom, has in general been quite suffi ciently recognised, at least in England, but many, in latter times, have been prone to think that limitation of the powers of the government is only essential when the government itself is bidly constituted, when it does not represent the people, but is the organ of a class, or coalition of classes that a government of sufficiently popu lar constitution might be trusted with any amount of power over the nation, since its power would be only that of the nation over itself This might be true, if the nation, in such cases, did not practically mean a mere majority of the nation, and if minorities were only capable of oppressing, but not of being oppressed Experience, however, proves that the depositance of power who are mere delegates of the people, that is of a majority are quite as ready (when they think they can count on popular support) as any organs of oligarchy, to assume arbitrary power, and encroach unduly on the liberty of private life The public collectively is abundantly ready to impose, not only its generally narrow views of its inte rests, but its abstract opinions, and even its tastes, as laws binding upon alaubividuals And the present rivilier tion tends so strongly to make the power of persons acting in masses the only substantial power in society, that there never was more necessity for surrounding individual independence of thought, speech, and conduct, with the most powerful defences, in order to maintain that originality of mind and individuality of character, which are the only source of any real progress, and of most of the qualities which make the human race much superior to any herd of animals Hence it is no less important in a democratic than in any other government, that all ten dency on the part of public authorities

to stretch their interference, and assume a power of any sort which can easily be dispensed with, should be regarded with unremitting jealousy Perhaps this is even more important in a democracy than in any other form of political society, because, where public opinion is sovereign, an individual who is oppressed by the sovereign does not, as in most other states of things, find a rival power to which he can appeal for rehef, or, at all events, for sympathy

§ 4 A third general objection to government agency, rests on the principle of the division of Inbour L'very additional function undertaken by the government, is a fresh occupation im posed upon a body already overcharged. with duties A natural consequence is that most things are ill done, much not done at all, because the govern ment is not able to do it without delays which are fatal to its purpose, that the more troublesome, and less showy, of the functions undertaken, are postponed or neglected, and an excuse is always ready for the neglect, while the heads of the administration have their minds so fully taken up with official details, in however perfunctory a manner superintended, that they have no time or thought to spare for the great interests of the state, and the preparation of enlarged measures of social improvement.

But these inconveniences, though real and serious, result much more from the bad organization of govern ments, than from the extent and vanety of the duties undertaken by them Government is not a name for some one functionary, or definite number of functionaries there may be almost any amount of division of labour within the administrative body itself evil in question is felt in great magni tude under some of the governments of the Continent, where six or eight men, hving at the capital and known by the name of ministers, demand that the whole public business of the country shall pass, or be supposed to pass, under their individual eye inconvenience would be reduced to a

very managcable compass, in a country in which there was a proper distribution of functions between the central and local officers of government, and in which the central body was divided into a sufficient number of departments When Parhament thought it expedient to confer on the government an in specting and partially controlling auchority over railways, it did not add railways to the department of the Home Minister, but created a Railway When it determined to have a central superintending authority for pauper administration, it established the Poor Law Commission. There are few countries in which a greater num ber of functions are discharged by pubhe officers, than in some states of the American Union, particularly the New England States but the division of labour in public business is extreme, most of these officers being not even amenable to any common superior, but performing their duties freely, under the double check of election by their townsmen, and civil as well as criminal responsibility to the tribunals

It is, no doubt, indispensable to good government that the chiefs of the administration, whether permanent or temporary, should extend a command ing, though general, view over the aggregate of all the interests confided, in any degree, to the responsibility of the central power But with a skilful internal organization of the administrative machine, leaving to subordinates, and as far as possible to local subordinates, not only the execution, but to a great degree the control, of details, holding them accountable for the results of their acts rather than for the acts themselves, except where these come within the cognizance of the tri bunals, taking the most effectual secu rities for honest and capable appointments, opening a broad path to promotion from the inferior degrees of the administrative scale to the supemor, leaving, at each step, to the functionary, a wider range in the origination of measures, so that, in the highest grade of all, deliberation might be con centrated on the great collective inte rests of the country in each department, if all this were done, the government would not probably be overburthened by any business, in other respects fit to be undertaken by it, though the overburthening would remain as a serious addition to the inconveniences incurred by its undertaking any which was unfit

But though a better organization of governments would greatly diminish the force of the objection to the mere multiplication of their duties! it would still remain true that in all the more advanced communities, the great majority of things are worse done by the intervention of government, than the individuals most interested in the matter would do them, or cause them to be done, if left to themselves grounds of this truth are expressed with tolerable exactness in the popular dictum, that people understand their own business and their own interests better, and care for them more, than the government does, or can be expected to do This maxim holds true! throughout the greatest part of the business of life, and wherever it is true we ought to condemn every kind of government intervention that conflicts with it The inferiority of government agency, for example, in any of the common operations of industry or commerce, is proved by the fact, that it is hardly ever able to maintain itself in equal competition with individual agency, where the individuals possess the requisite degree of industrial enter prise, and can command the necessary assemblage of means All the facili ties which a government enjoys of access to information, all the means which it possesses of remunerating, and therefore of commanding, the best available talent in the market—are not an equivalent for the one great disadvantage of an inferior interest in the result

It must be remembered, besides, that even if a government were superior in intelligence and knowledge to any single individual in the nation, it must be inferior to all the individuals of the nation taken together. It can neither possess in itself nor callst in

its service, more than a portion of the acquirements and capacities which the country contains, applicable to any given purpose There must be many given purpose persons equally qualified for the work with those whom the government employs, even if it selects its instruments with no reference to any consideration Now these are the but their fitness very persons into whose hands, in the cases of most common occurrence, a system of individual agency naturally tends to throw the work, because they are capable of doing it better or on cheaper terms than any other persons So far as this is the case, it is evident that government, by excluding or even by superseding individual agency, either substitutes a less qualified in strumentality for one better qualified, or at any rate substitutes its own mode of accomplishing the work, for all the variety of modes which would be tried by a number of equally qualified per sons aiming at the same end, a competition by many degrees more propitious to the progress of improvement, than any uniformity of system

I have reserved for the last place one of the strongest of the reasons against the extension of government agency Even if the government could comprehend within itself, in each department, all the most emi nent intellectual capacity and active talent of the nation, it would not be the less desirable that the conduct of a flarge portion of the affairs of society should be left in the hands of the persons immediately interested in their I he business of life is an essential part of the practical education of a people, without which, book and school in struction, though most necessary and salutary, does not suffice to qualify them for conduct, and for the adapta tion of means to ends Instruction 18 only one of the desiderata of mental improvement, another, almost as in dispensable, is a vigorous exercise of the active energies, labour, contrivance, judgment, self-control and the natural stimulus to these is the difficulties of life This doctrine is not to be confounded with the complacent

optimism, which represents the evils of life as desirable things, because they call forth qualities adapted to combat It is only because the dif with evils ficulties exist, that the qualities which combat with them are of any value As practical beings it is our business to free human life from as many as possible of its difficulties, and not to keep up a stock of them as hunters preserve game, for the exercise of pur suing it But since the need of activo talent and practical judgment in the affairs of life can only be diminished, and not, even on the most favourable; supposition, done away with, it is im portant that those endowments should be cultivated not merely in a select few, but in all, and that the cultivation should be more varied and complete than most persons are able to find in the narrow sphere of their merely indi A people among vidual interests whom there is no habit of spontaneous action for a collective interest-who look habitually to their government to command or prompt them in all matters of joint concern-who expect to have everything done for them, except what can be made an affair of mere habit and routine—have their faculties only half developed, their education is de fective in one of its most important branches

Not only is the cultivation of the active faculties by exercise, diffused through the whole community, in itself one of the most valuable of national possessions it is rendered, not less, but more, necessary, when a high Jogree of that indispensable culture if systematically kept up in the chieft and functionaries of the state cannot be a combination of circum stances more dangerous to human welfare, than that in which intelligence and talent are maintained at a high standard within a governing corporation, but starved and discouraged outside the pale Such a system, more completely than any other, embodics the idea of despotism, by arming with intellectual superiority as an additional weapon, those who have already the legal power It approaches as nearly as the organic difference between

human beings and other animals adnuts, to the government of sheep by their shepherd, without anything like so strong an interest as the shepherd has in the thriving condition of the The only security against political slavery, is the check maintained over governors, by the diffusion of intelligence, activity, and public spirit among the governed Experience proves the extreme difficulty of permanently keeping up a sufficiently high standard of those qualities, a difficulty which increases, as the advance of civilization and security removes one after another of the hardships, embarrassments, and dangers against which individuals had formerly no resource but in their own strength, skill, and It is therefore of supreme courage importance that all classes of the community, down to the lowest, should have much to do for themselves, that as great a demand should be made upon their intelligence and virtue as it 18 in any respect equal to, that the government should not only leave as far as possible to their own faculties the conduct of whatever concerns themselves alone, but should suffer them, or rather encourage them, to manage as many as possible of their joint concorns by voluntary co-operation since this discussion and manage ment of collective interests is the great school of that public spirit, and the great source of that intelligence of public affairs, which are always regarded as the distinctive character of the public of free countries

A democratic constitution, not supported by democratic institutions in detail, but confined to the central government, not only is not political freedom, but often creates a spirit precisely the reverse, carrying down to the lowest grade in society the desire and ambition of political domination. In some countries the desire of the people is for not being tyrannized over, but in others it is merely for an equal chance Unhapto overs body of tyrannizing pily this last state of the desires is fully as natural to mankind as the former, and in many of the conditions even of civilized humanity, is far more | pp 303-4.

largely exemplified In proportion as the people are accustomed to manage their affairs by their own active intervention, instead of leaving them to the government, their desires will turn to repelling tyranny, rather than to tyran nizing while in proportion as all real initiative and direction resides in the government, and individuals habitually feel and act as under its perpetual tutelago, popular institutions develope in them not the desire of freedom, but an unmeasured appetite for place and power, diverting the intelligence and activity of the country from its prin cipal business, to a wretched competition for the selfish prizes and the petty vanities of office

§ 7 The preceding are the pringipal reasons, of a general character, in favour of restricting to the narrowest compass the intervention of a public authority in the business of the community and few will dispute the more than sufficiency of these reasons, to throw, in every instance, the burthen of making out a strong case, not on those who resist, but on those who recommend, government interference. Let ting alone, in short, should be the general practice every departure from it, unless required by some great good is a certain evil.

The degree in which the maxim even in the cases to which it is most manifestly applicable, has heretofor been infringed by governments, future ages will probably have difficulty in crediting. Some idea may be formed of it from the description by M Dunoyer* of the restraints imposed on the operations of manufacture under the old government of France, by the meddling and regulating spirit of legislation.

"The State exercised over manufacturing industry the most unlimited and arbitrary jurisdiction. It disposed without scruple of the resources of manufacturers it decided who should be allowed to work, what things it should be permitted to make, what ma ternals should be employed, what pro-

* On the Liberty of Labour, vol 12.

besses followed, what forms should be given to productions It was not enough to do well, to do better, it was inecessary to do according to the rules Everybody knows the regulation of 1670 which prescribed to seize and nail to the pillory, with the names of the makers, goods not conformable to the rules, and which, on a second repe tition of the offence, directed that the manufacturers themselves should be Not the taste of the attached also consumers, but the commands of the law must be attended to Legions of inspectors, commissioners, controllers, jurymen, guardians, were charged with its execution Machines were broken, products were burned when not con formable to the rules improvements were punished, inventors were fined There were different sets of rules for goods destined for home consumption and for those intended for exportation An artizan could neither choose the place in which to establish himself, nor work at all seasons, nor work for all customers There exists a decree of March 30, 1700, which limits to eighteen towns the number of places where stockings might be woven decree of June 18, 1723, enjoins the manufacturers at Rouen to suspend their works from the 1st of July to the 15th of September, in order to facilitate the harvest. Louis XIV, when he intended to construct the colonnade of the Louvre, forbade all private persons to employ workmen without his permission, under a penalty of 10,000 livres, and forbade workmen to work for private persons, on pain for the first offence, of imprisonment, and for the second, of the galleys"

That these and similar regulations were not a dead letter, and that the officious and vexatious meddling was prolonged down to the French Revolution, we have the testimony of Roland, the Girondist minister # "I have seen," says he, "eighty, ninety, a hundred pieces of cotton or woollen stuff cut up, and completely destroyed. I have witnessed similar scenes every week for a number of years. I have

seen manufactured goods confiscated; heavy times laid on the manufacturers, some pieces of fabric were burnt in public places, and at the hours of market others were fixed to the pil lory, with the name of the manufac turer inscribed upon them, and he him self was threatened with the pillory, in case of a second offence All this was done under my eves, at Rouen in con formity with existing regulations, or ministerial orders. What crime deministerial orders served so cruel a punishment? Some defects in the materials employed, or in the texture of the fabric, or even in some of the threads of the warp

"I have frequently seen manufacturers visited by a band of satellites who put all in confusion in their esta blishments, spread terror in their fami lies, cut the stuffs from the frames, tore off the warp from the looms, and car ried them away as proofs of miringement, the manufacturers were sum moned, tried, and condemned goods confiscated, copies of their judg! ment of confiscation posted up in every public place, fortune, reputation, credit, all was lost and destroyed what offence? Because they had made of worsted, a kind of cloth called sling, such as the English used to manufacture, and even sell in France, while the French regulations stated that that kind of cloth should be made with mohair. I have seen other manufacturers treated in the same way, because they had made camlets of a particular width, used in England and Germany, for which there was a great demand rom Spain, Portugal, and other coun tries, and from several parts of France, while the French regulations prescribed other widths for camlets "

The time is gone by, when such applications as these of the principle of "paternal government" would be attempted, in even the least enlightened country of the European common wealth of nations. In such cases as those cited, all the general objections to government interference are valid, and several of them in nearly their highest degree. But we must now turn to the second part of our task, and direct our attention to cases, in

[&]quot;I quote at second hand, from Mr Carey's Kesay on the Rate of Wages, pp 195-6

which some of those general objections are altogether absent, while those which can never be got rid of entirely, are overruled by counter considerations of

still greater importance

We have observed that, as a general fule, the business of life is better performed when those who have an immofliate interest in it are left to take their own course, uncontrolled either by the mandate of the law or by the meddling of any public functionary The persons, or some of the persons, who do the work, are likely to be better judges , than the government, of the means of attaining the particular end at which Were we to suppose, what they aim Is not very probable, that the govern ment has possessed itself of the best knowledge which had been acquired up to a given time by the persons most skilled in the occupation, even then, the individual agents have so much stronger and more direct an interest in the result, that the means are far more likely to be improved and perfected if left to their uncontrolled choice if the workman is generally the best selector of means, can it be affirmed with the same universality, that the consumer, or person served, is the most competent judge of the end? Is the buyer always qualified to judge of the commodity? If not, the presumption in favour of the competition of the market does not apply to the case, and if the commodity be one, in the quality of which society has much at stake, the balance of advantages may be in favour of some mode and degree of intervention, by the authorized representatives of the collective interest of the state

Now, the proposition that the consumer is a competent judge of the commodity, can be admitted only with numerous abatements and exceptions. He is generally the best judge (though even this is not true universally) of the material objects produced for his use These are destined to supply some physical want, or gratify some taste or inclination, respecting which wants or inclinations there is no appeal from the person who feels them, or they are the

means and appliances of some occupation, for the use of the persons engaged in it, who may be presumed to be judges of the things required in their own habitual employment But there are other things of the worth of which the demand of the market is by no means a test, things of which the utility does not consist in ministering to inclinations, nor in serving the daily uses of life, and the want of which is least felt where the need is greatest. This is peculiarly true of those things which are chiefly useful as tending to raise the character of human beings The uncultivated cannot be competent judges of cultivation. Those who most nced to be made wiser and better, usually desire it least, and if they de sired it, would be incapable of finding the way to it by their own lights will continually happen, on the voluntary system, that, the end not being desired, the means will not be provided at all, or that, the persons requiring improvement having an imperfect or altogether erroneous conception of what they want, the supply called forth by the demand of the market will be anvthing but what is really required. Now any well intentioned and tolerable civilized government may think without presumption that it does or ought to possess a degree of cultivation above the average of the community which it rules, and that it should therefore bel capable of offering better education and better instruction to the people, than the greater number of them would spontaneously demand. Education, therefore, is one of those things which it is admissible in principle that a government should provide for the The case is one to which the reasons of the non interference principle do not necessarily or universally extend.#

* In opposition to these opinions, a writer, with whom on many po dis I agree, but whose hostility to government intervention seems to me too indiscriminate and unqualified, M. Dunover, observes that instruction, however good in itself, can only be useful to the public in so far as they are willing to receive it, and that the best proof that the instruction is suitable to their wants, is its success as a pecuniary enter price. This argument seems no more con-

With regard to elementary education, the exception to ordinary rules mry, I conceive, justifiably be carried still further There are certain primity elements and means of knowledge, which it is in the highest degree de sirable that all human beings born into the community should acquire during childhood. If their parents, or those on whom they depend, have the power of obtaining for them this instruction, and fail to do it, they commit a double breach of duty towards the children themselves, and towards the members of the community generally, who are all hable to suffer seriously from the consequences of ignorance and want of education in their fellow-citizens is therefore an allowable exercise of the powers of government, to impose on parents the legal obligation of giving elementary instruction to children This

clusive respecting instruction for the mind. than it would be respecting medicine for the No medicine will do the patient any good if he cannot be induced to take it we are not bound to admit as a corollary from this, that the patient will select the right medicine without a sistance Is it not probable that a recommendation, from any quarter which he respect, may induce him to accept a better medicine than he would spontaneously have chosen? This is, in respect to education, the very point in de bate. Without doubt, instruction which is so far in advance of the people that they cannot be induced to avail themselves of i, is to them of no more worth than if it did not exist. But between what they spontane ously choose, and what they will refuse to accept when offer at there is a breadth of interval proportions, to their deference for the recommender Besides, a thing of which the public are bad judges, may require to be shown to them and pressed on their attention for a long time, and to prove its adventages by long experience, before they learn to oppreciate it, yet they may learn at last, which they might never have done, if the thing had not been thus obtruded upon them in act, but only recommended in theory Now, a pecuniary speculation cannot wait years, or perhaps generations, for success, it must succeed rapidly, or not at all. Another consideration which M Dunoyer seems to have overlooked, is, that institutions and modes of tuition which never could be made sufficiently popular to repay, with a profit, the expenses incurred on them, may be in valuable to the many by giving the highest quality of education to the few, and keeping up the perpetual succession of superior minds, by whom knowledge is advanced, and the community urged forward in civilization

however cannot fairly be done, without taking measures to ensure that such instruction shall be always accessible to them, either gratuitously or at a

trifling expense It may indeed be objected that the education of children is one of these, expenses which parents, even of their labouring class, ought to defray, that it is desirable that they should feel it incumbent on them to provide by their own means for the fulfilment of their duties, and that by giving education at the cost of others, just as much as by giving subsistence, the standard of necessary nages 14 proportionally lowered, and the springs of exertion and self restraint in so much relaxed. This argument could, at best, be only valid if the question were that of substi tuting a public provision for what individuals would otherwise do for them selves, if all parents in the labouring class recognised and practised the duty of giving instruction to their children But masmuch at their own expense as parents do not practise this duty, and do not include education among those necessary expenses which their wages must provide for, therefore the general rate of wages is not high enough to bear those expenses, and they must be borne from some other source And this is not one of the cases in which the tender of help perpetuates the state of thirgs which renders help necessary Instruction, when it is really such, does not enervate, but strengthens as wellas enlarges the active faculties whatever manner acquired, its effect on the mind is favourable to the spirit of independence and when, unless had gratuitously, it would not be had at all, help in this form has the opposite ten dency to that which in so many other cases makes it objectionable, it is help towards doing without help In England, and most Enropean

In England, and most European countries, elementary instruction cannot be paid for, at its full cost, from the common wages of unskilled labour, and would not if it could The alternative therefore is not between government and private speculation, but between a government provision and voluntary charity, between interference by government, but between and private speculation, but between a government provision and voluntary charity, between interference by government.

vernment, and interference by associa tions of individuals, subscribing their own money for the purpose, like the two great School Societies It is, of course, not desirable that anything should be done by funds derived from compulsory taxation, which is already sufficiently well done by individual liberality. How far this is the case with school instruction in an each par ticular instance, a question of fact The education provided in this country on the voluntary principle has of late been so much discussed, that it is need less in this place to criticise it minutely, and I shall merely express my conviction, that even in quantity it is, and is likely to remain, altogether insufficient, while in quality, though with some slight tendency to improvement, it is nover good except by some mrs accident, and generally so had as to be little more than nominal therefore the duty of the government to supply the defect by giving pecu mary support to elementary schools, such as to render them accessible to all the children of the poor, either freely, or for a payment too inconsiderable to be sensibly felt

One thing must be strenuously in sisted on, that the government must claim no monopoly for its education, either in the lower or in the higher branches, must exert neither authority nor influence to induce the people to resort to its teachers in preference to others, and must confer no peculiar advantages on those who have been Though the go instructed by them vernment teachers will probably be superior to the average of private in structors, they will not embody all the knowledge and sagacity to be found in all instructors taken together, and it is desirable to leave open as many roads as possible to the desired end not endurable that a government should, either in law or in fact, have a complete control over the education of the people To possess such a control, and actually exert it, is to be despotic. A govern ment which can mould the opinions and sentiments of the people from their youth upwards, can do with them what-

therefore, may, and in many cases ought to, establish schools and col leges, it must neither compel nor bribe any person to come to them, nor ought the power of individuals to set up rival establishments, to depend in any degree upon its authorization. It would be justified in requiring from all the people that they shall possess instruction in certain things, but not in prescribing to them how or from whom they shall obtain it

§ 9 In the matter of education, the intervention of government is justi fiable, because the case is not one in n luch the interest and judgment of the consumer are a sufficient security for the goodness of the commodity us now consider another class of cases, & where there is no person in the situation of a consumer, and where the in 7 terest and indgment to be relied on are those of the agent himself, as in the conduct of any business in which he is exclusively interested, or in en tering into any contract or engage ment by which he himself is to be "

The ground of the practical principle / of non interference must here be, that !-most persons take a juster and more' intelligent view of their own interest and of the means of promoting it, than can either be prescribed to them by a general enactment of the legislature, or; pointed out in the particular case by at public functionary The maxim is un questionably sound as a general rule but there is no difficulty in perceiving some very large and conspicuous ex-ceptions to it. These may be classed under soveral heads

First —The individual who is prestimed to be the best judge of his own interests may be incapable of judging or acting for himself, may be a lunatic, an idiof, an infant or though not i wholly incapable, may be of immature years and judgment. In this case the foundation of the non interference prin ciple breaks down entirely. The person most interested is not the best judge of the matter, nor a competent judge at all Ine me personsare every ever it pleases Though a government, | where regarded as proper objects of the

care of the state * In the case of children and young persons, it is com mon to say, that though they cannot judge for themselves, they have their parents or other relatives to judge for But this removes the question into a different category, making it no longer a question whether the govern ment should interfere with individuals in the direction of their own conduct and interests, but whether it should leave absolutely in their power the conduct and interests of somebody else Parental power is as susceptible of abuse as any other power, and is, as a matter of fact, constantly abused. If laws do not succeed in preventing parents from brutally ill-treating, and even from murdering their children, far less ought it to be presumed that the interests of children will never be sa crificed, in more commonplace and less revolting ways, to the selfishness or the ignorance of their parents Whatever it can be clearly seen that parents ought to do or forbear for the interest

The practice of the English law with respect to insone persons, especially on the all important point of the ascertainment of insanity, most urgently demands reform At present no persons, whose property is worth coveting, and whose nearest relations are unscrupulous, or on bad terms with them, are secure against a commission of lunser. At the instance of the persons who would profit by their being declared insano, a jury may be impanelled and an investigation held at the expense of the property, in which all their personal peculiarities, with all the additions made by the lying gossip of low servants are poured into the credulous ears of twelve petry shapkeepers, ignorant of all ways of life except those of their own class, and regarding every trait of individuality in character or taste as eccentricity, and all eccentricity as either in-anity or wickedness If this sapient tribunal gives the desired verdie, the property is handed over to perhaps the last persons whom the rightful owner would have desired or suffered to possess it. Some recent instances of this kind of inves tration of ju tice Whiterer other changes in this branch of law may be made, two at east are imperative; first, that, as in other than the changes are imperative; first, that, as in other than the changes about not legal presectings, the expenses should not be borne by the person on trial, but by the promoters of the inquiry, subject to recovery of costs in case of success and secondly that the property of a person declared insane, should in no case be made over to help while the proprietor is alive, but should be rianged by a public officer; antil his death or recovery. actil his death or recovery

of children, the law is warranted, if it is able, in compelling to be done or for borne, and is generally bound to do so To take an example from the peculiar province of political economy, it is right that children, and young persons not yet arrived at maturity, should be protected, so far as the eye and hand of the state can reach, from being Labouring for too many over-worked. hours in the day, or on work beyond their strength, should not be permitted to them, for if permitted it may always be compelled Freedom of contract; in the case of children, is but another word for freedom of coercion tion also, the best which circumstances admit of their receiving, is not a thing which parents or relatives, from indif ference, jealousy, or avarice, should have it in their power to withhold.

The reasons for legal intervention in favour of children, apply not less strongly to the case of those unfortu nate slaves and victims of the most brutal part of mankind, the lower animals It is by the grossest misun derstanding of the principles of liberty, that the infliction of exemplary punish ment on ruffianism practised towards these defenceless creatures, has been treated as a meddling by government with things beyond its province, an interference with domestic life domestic life of domestic tyrants 15 one of the things which it is the most! imperative on the law to interfere with, and it is to be regretted that metaphysical scruples respecting the nature and source of the authority of government, should induce many warm supporters of laws against cruelty to animals, to seek for a justification of such laws in the incidental consequences of the indulgence of ferocious habits, to the interests of human beings, rather than in the intrinsic ments of the case itself would be the duty of a human being possessed of the requisite physical strength, to prevent by force if at tempted in his presence, it cannot be less incumbent on society generally to ropress The existing lans of England on the subject are chiefly defective in the triffing, often almost nominal

maximum, to which the penalty even i pendent industrial employment, instead in the worst cares is limited

Ame is those neithers of the community whose faudom of contract orght to be emtedled by the legisla tive for their own protection, on co count (it is raid) of their d pendent position, it is frequently propie d to include we seen and in the existing Partory Act, their labour, in commen with the of young persons, his been placed und r peculiar restrictions But the classing to either, for this rud other purposes, of women and children. appears to me be h indefensible in Principle and mischi was in practice. Chillien below a certain ago cannot 'mage or act for themselves, up to a considerably greater age they are in exitably more or less disqualified for doing eq. bit women are exceptible as men of appreciating and managing their own concerns and the only lin drames to their doing so arises from the mustice of their private social position. So long as the lin makes overrthing which the rate requires, the property of the herband, while by compelling for to live with him it forces her to subrat to almost any amount of moral and oven physical freancy which he may chare to inflict, there is some ground for r garding every net done by her as done under coercion but it is the great error of reformers and philanthiopists in our time, to pubble at the consquences of unjust spower instead of redressing the injustice it elf. If women had an absolute a control as men have, over their own persons and their own patrimony or nequisitions, there would be no plea for limiting their hours of labouring for them elves, in order that they might have time to Inbour for the husband, in what is called, by the advocates of rostriction, his home Women employed in fictories are the only women in the Inhouring rank of life whose position is not that of slaves and drudges, procisely because they cannot easily be compelled to work and earn wages in factories against their will. proving the condition of women, it should, on the contrart, be an object to gave them the rendicat access to indeof closing either entirely or partially, that which is already open to them

§ 10 A second exception to this doctrine that individuals are the best! judges of their own interest, is when an individual attempts to decide irrevocable now, what will be best for his interest at some future and distant time. The presumption in favour of individual judgment is only legitimate. where the judgment is grounded on actual, and especially on present, persinal experience, not where it is formed unteredently to experience, and not sufficied to be reversed even after expenence has condemned it. persons have bound themselves by a contract, not simply to do some one thing, but to continue doing something for ever or for a prolonged period, without any power of revoking the en gagement the presumption which their perseverance in that course of conduct would otherwise ruise in favour of its being advantageous to thom, does not exist, and any such presumption which can be grounded on their having voluntarily entend into the contract, perhaps at an early age, and without any real knowledge of what they undertook, is commonly next to null. The practical maxim of leaving contracts ir e, is not applicable without great limitations in case of engagements in perpetuity, and the law should be ex trancly jerious of such engagements, should refuse its sanction to them, when the obligations they impose are such as the contracting party cannot be a competent judge of, if it ever does sanction thom, it should take every possible security for their being conirreted with foresight and deliberation, and in compensation for not permitting the parties themselves to revoke their engagement, should grant them a release from it, on a sufficient case being made out before an impartial These considerations are authority eminently applicable to mairinge, the most important of all cases of engagement for life

The third exception which I 3 11 PP2

hall notice, to the doctrine that goternment cannot manage the affairs of ndividuals as well as the individuals themselves, has reference to the great class of cases in which the individuals can only manage the concern by dele gated agency, and in which the socalled private management is, in point of fact, hardly better entitled to be called management by the persons in terested, than administration by a Whatever, if left to public officer spontaneous agency, can only be done by joint-stock associations, will often be as well, and sometimes better done, as far as the actual work is concerned, Government manageby the state ment 18, indeed, proverbially jobbing, careless, and meffective, but so like wise has generally been joint-stock The directors of a management joint-stock company, it is true, are always shareholders, but also the members of a government are invari ably taxpayers, and in the case of directors, no more than in that of governments, is their proportional share of the benefits of good management, equal to the interest they may possibly have in mismanagement, even without reckoning the interest of their ease It may be objected, that the share holders, in their collective character, exercise a certain control over the directors, and have almost always full power to remove them from office Practically, however, the difficulty of exercising this power is found to be so great, that it is hardly ever exercised except in cases of such flagrantly un skilful, or, at least, unsuccessful management, as would generally produce the ejection from office of managers appointed by the government Against the very meffectual security afforded by meetings of shareholders, and by their individual inspection and en quiries, may be placed the greater publicity and more active discus sion and comment, to be expected in free countries with regard to affairs in which the general govern-The defects, therement takes part fore, of government management, do not seem to be necessarily much greater, if necessarily greater at all,

than those of management by joint-

stock The true reasons in favour of leaving to voluntary associations all such things j as they are competent to perform, would exist in equal strength if it were certain that the work itself would be as well or better done by public officers been already These reasons have pointed out the mischief of overload ing the chief functionanes of govern ment with demands on their attention, and diverting them from duties which they alone can discharge, to objects which can be sufficiently well attained without them, the danger of unneces sarily swelling the direct power and indirect influence of government, and multiplying occasions of collision be tween its agents and private citizens, and the inexpediency of concentrating in a dominant bureaucracy, all the skill and experience in the management of large interests, and all the power of organized action, existing in the community, a practice which keeps the citizens in a relation to the govern ment like that of children to their guardians, and is a main cause of the inferior capacity for political life which has lutherto characterized the over governed countries of the Continent, whether with or without the forms of representative government "

But although, for these reasons, most things which are likely to be even tolerably done by coluntary associations, should, generally speaking, be

A parallel case may be found in the distaste for politics, and absence of public spirit, by which women, as a class, are characterized in the present state of society, and which is often felt and complained of by political reformers, without, in general, maling them willing to recognise, or desirous to remove, its cause. It obviously arises from their being taught, both by institutions and by the whole of their education, to regard themselves as entirely spart from politics. Wherever they have been politicians they have shown as great interest in the subject, and as great aptitude for it, according to the spirit of their time, as the men with whom they were cotemporanes; in that period of history (for example) in which Isabella of Castile and Elizabeth of England were, not rare exceptions, but nerely brilliant examples of a spirit and capacity very largely diffused among women of high station and cultivation in hurope.

left to them, it does not follow that the manner in which those associations perform their work should be entirely uncontrolled by the government There are many cases in which the agency, of whatever nature, by which a service us performed, as certain, from the nature of the case, to be virtually single, in which a practical monopoly, with all the power it confers of taxing the com munity, cannot be prevented from ex I have already more than once adverted to the case of the gas and water companies, among which, though perfect freedom is allowed to competi tion, none really takes place, and practically they are found to be even more irresponsible, and unapproachable by individual complaints, than the govern There are the expenses without the advantages of plurality of agency, and the charge made for services which cannot be dispensed with, is, in substance, quite as much compulsory taxation as if imposed by law there are few householders who make any distinction between their "water rate" and their other local taxes tase of these particular services, the reasons preponderate in favour of their being performed, like the paving and cleansing of the streets, not certainly by the general government of the state, but by the municipal authorities of the town, and the expense defrayed, as even now it in fact is, by a local rate But in the many analogous cases which it is best to resign to voluntary agency, the community needs some other security for the fit performance of the service than the interest of the hnanagers, and it is the part of government, either to subject the business to reasonable conditions for the general advantage, or to retain such power over it, that the profits of the monopoly may at least be obtained for the public This applies to the case of a road, a canal, or a railway These are always, in a great degree, practical monopolies, and a government which concedes such monopoly un reservedly to a private company, does much the same thing as if it allowed an individual or an association to levy any tax they chose, for their I ten, would either not be employed at

own benefit, on all the malt produced in the country, or on all the cotton imported into it. To make the con cession for a limited time is generally justifiable, on the principle which jus tifies patents for inventions but the state should either reserve to itself a roversionary property in such public works, or should retain, and freely ex ercise, the right of fixing a maximum of fares and charges, and, from time to time, varying that maximum It is 1 perlups necessary to remark, that the state may be the proprietor of canals, or railways without itself working them, and that they will almost always be better worked by means of a company, renting the railway or canal for a limited period from the state

§ 12 To a fourth case of exception I must request particular-attention, it being one to which, as it appears to me, the attention of political economists has not yet been sufficiently drawn There are matters in which the inter ference of law is required, not to over, rule the judgment of individuals re specting their own interest, but to give effect to that judgment, they being unable to give effect to it except by concert, which concert again cannot be effectual unless it receives validity and/ sanction from the law For illustra tion, and without projudging the par f ticular point, I may advert to the question of diminishing the hours of Let us suppose, what is at least supposable, whether it be the fact or not-that a general reduction of the hours of factory labour, say from ten to nine, would be for the advantage of the work people that they would receive as high wages, or nearly as high, for nine hours labour as they receive for ten. If this would be the result, and if the operatives generally are con vinced that it would, the limitation, some may say, will be adopted spontancously I answer, that it will not be adopted unless the body of opera tives bind themselves to one another to abide by it. A worknian who re fused to work more than nine hours while there were others who worked

all, or if employed, must submit to love one tenth of his wages However convinced, therefore, he may be that it is the interest of the class to work short time, it is contrary to his own interest to set the example, unless he is well assured that all or most others will follow it But suppose a general agreement of the whole class might not this be effectual without the sanction Not unless enforced by opinion with a rigour practically equal to that of law For however beneficial the observance of the regulation might be to the class collectively, the imme diate interest of every individual would he in violating it and the more numerous those were who adhered to the rule, the more would individuals gain by de parting from it. If nearly all restricted themselves to nine hours, those who chose to work for ten would gain all the advantage of the restriction, together with the profit of infringing it, they would get ten hours wages for nine hours work, and an hour's wages I grant that if a large majority adhered to the nine hours, there would be no harm done the benefit would be, in the main, secured to the class, while those individuals who preferred to work harder and earn more, would have an opportunity of doing so This certainly would be the state of things to be wished for, and assuming that a reduction of hours without any diminution of wages could take place without expelling the commodity from some of its markets—which is in every particular instance a question of fact, not of principle—the manner in which it would be most desirable that this effect should be brought about, would be by a quiet change in the general custom of the trade, short hours becoming, by spontaneous choice, the general practice, but those who chose to deviate from it having the fullest liberty to do so Probably, however, so many would prefer the ten hours work on the improved terms, that the limitation could not be maintained as a general practice what some did from choice, others would soon be obliged to do from necessity, and those

sake of increased wages, would be forced in the end to work long hours for no greater wages than before suming then that it really would be the interest of each to work only nine hours if he could be assured that all others would do the same, there might be no means of their attaining this object but by converting their supposed mutual agreement into an engagement under penalty, by consenting to have it enforced by law I am not expressing any opinion in favour of such an enactment, which has never been demanded, and which I certainly should not, in present circumstances, recom mend but it serves to exemplify the manner in which classes of persons may need the assistance of law, to give effect to their deliberate collective opinion of their own interest, by afford ing to every individual a guarantee that his competitors will pursue the same course, without which he cannot safely adopt it himself

Another exemplification of the same

principle is afforded by what is known as the Wakefield system of coloniza This system is grounded on tho important principle, that the degree of productiveness of land and labour depends on their being in a due propor tion to one another, that if a few persons in a newly settled country attempt to occupy and appropriate a large district, or if each labourer becomes too soon an occupier and cultivator of land, there is a loss of productive power, and a great retardation of the progress of the colony in wealth and civilization that nevertheless the instinct (as it may almost be called) of appropriation, and the feelings asso ciated in old countries with landed proprietorship, induce almost every emigrant to take possession of as much land as he has the means of acquiring, and every labourer to become at once a proprietor, cultivating his own land with no other aid than that of his family If this propensity to the im mediate possession of land could be in some degree restrained, and each labourer induced to work a certain who had chosen long hours for the became a landed proprietor, a per number of years on hire before he

petual stock of hired labourers could l be maintained, available for roids, canals, works of arrigation, &c, and for the establishment and carrying on of the different branches of town in dustry, whereby the labourer, when he did at last become a landed proprietor, would find his land much more valu able, through access to markets, and facility of obtaining hired labour Wakefield therefore proposed to cheel the premature occupation of land, and dispersion of the people, by putting upon all unappropriated lands a rather high price, the proceeds of which were to be expended in conveying emigrant labourers from the mother country

This salutary provision, however, has been objected to, in the name and on the authority of what was represented as the great principle of political economy, that individuals are the best judges of their own interest haid, that when things are left to themselves, land is appropriated and occupied by the spontaneous choice of individuals, in the quantities and at the times most advantageous to each person, and therefore to the community generally, and that to interpose arti ficial obstacles to their obtaining land, 18 to prevent them from adopting the course which in their own judgment is most beneficial to them, from a self concerted notion of the legislator, that he knows what is most for their into rest, better than they do thomselves Now this is a complete misunderstand ing, either of the system itself, or of the principle with which it is alleged to conflict. The oversight is similar to that which we have just seen exem philied on the subject of hours of labour However beneficial it might be to the colony in the aggregate, and to each individual composing it, that no one should occupy more land than he can properly cultivate, nor become a proprietor until there are other labourers ready to take his place in working for hire, it can never be the interest of an individual to exercise this forbearance, unless he is assured that others will do Surrounded by settlers who have each their thousand acres, how is he benefited by restricting himself to l

fifty? or what does a labourer gain by deferring the acquisition altogether for a few years, if all other labourers rush to convert their first earnings into estates in the wilderness, several iniles apart from one another? If they, by seizing on land, prevent the formation. of a class of labourers for wages, he will not, by postponing the time of his becoming a proprietor, be enabled to employ the land with any greater ad vantage when he does obtain it, to what end therefore should be place himself in what will appear to him and others a position of inferiority, by remaining a hired labourer when all around him are proprietors? It is the interest of each to do what is good for all, but only if others will do likewise

The principle that each is the best judge of his own interest, understood as these objectors understand it, would prove that governments ought not to fulfil any of their acknowledged duties -ought not, in fact, to exist at all is greatly the interest of the commu mty, collectively and individually, not to rob or defraud one another there is not the less necessity for laws to punish robbery and fraud, because, though it is the interest of each that nobody should rob or cheat, it is not any one's interest to refrain from robbing and cheating others when all others are permitted to rob and cheat; Penal laws exist at all, chiefly this reason, because even an for unanimous opinion that a certain line of conduct is for the general interest, does not always make it people's indi vidual interest to adhere to that line of conduct

\$ 13 Fifthly, the argument against government interference grounded on the maxim that individuals are the best judges of their own interest, can not apply to the very large class of cases, in which those acts of individuals with which the government claims to interfere, are not done by those individuals for their own interest, but for the interest of other people. This includes, among other things, the important and much agriated subject of public charity. Though individuals

should, in general, be left to do for themselves whatever it can reasonably be expected that they should be capable of doing, yet when they are at any rate not to be left to themselves, but to be helped by other people, the question arises whether it is better that they should receive this help exclusively from individuals, and therefore uncer tainly and casually, or by systematic arrangements, in which society acts through its organ, the state

This brings us to the subject of Poor Laws, a subject which would be of very minor importance if the habits of all classes of the people were temperate and prudent, and the diffusion of property satisfactory, but of the greatest moment in a state of things so much the reverse of this, in both points, as that which the British islands present

Apart from any metaphysical considerations respecting the foundation of morals or of the social union, it will be admitted to be right that human beings should help one another, and the more so, in proportion to the urgency of the need and none needs help so urgently as one who is starving The claim to help, therefore, created by destitution, is one of the strongest which can exist, and there is prima facie the an plest reason for making the relief of so extreme an exigency as certain to those who require it, as by any arrangements of society it can be made

On the other hand, in all cases of helping, there are two sets of conse quences to be considered, the con sequences of the assistance itself, and the consequences of relying on the The former are generally assistance beneficial, but the latter, for the most part, injurious, so much so, in many cases, as greatly to outweigh the value of the benefit And this is never more likely to happen than in the very cases where the need of help is the most intense There are few things for which it is more mischievous that people should rely on the habitual aid of others, than for the means of subsistence, and unhappily there is no lesson which they more easily learn problem to be solved is therefore one human beings

of peculiar nicety as well as importance, how to give the greatest amount of needful help, with the smallest encouragement to undue reliance on it

Energy and self-dependence are, how ever, liable to be impaired by the ab sence of help, as well as by its excess It is even more fatal to exertion to have no hope of succeeding by it, than to be assured of succeeding without it When the condition of any one is se disastrous that his energies are para lyzed by discouragement, assistance is a tonic, not a sedative it braces in stead of deadening the active faculties always provided that the assistance is not such as to dispense with self help by substituting itself for the person's own labour, skill, and prudence, but I limited to affording him a better hope of attaining success by those legiti This accordingly is mate means test to which all plans of philanthrop; and benevolence should be brought whether intended for the benefit of it dividuals or of classes, and whethe conducted on the voluntary or on th government principle

In so far as the subject admits (any general doctrine or maxim, it woul appear to be this-that if assistance: given in such a manner that the coi dition of the person helped is as de strable as that of the person who succeeds in doing the same thing without help, the assistance, if capable. of being previously calculated on, is mischievous but if, while available to everybody, it leaves to every one a strong motive to do without it if he can, it is then for the most part bene This principle, applied to a ficial. system of public charity, is that of the Poor-Law of 1834 If the condition of a person receiving relief is made as eligible as that of the labourer who supports himself by his own exertions. the system strikes at the root of all individual industry and self-govern ment, and, if fully acted up to, would require as its supplement an organized system of compulsion, for governing and setting to work like cattle, those who had been removed from the influence of the motives that act on But if, consistently

with guaranteeing all persons against absolute want, the condition of those who are supported by legal charity can be kept considerably less desirable than the condition of those who find support for themselves, none but beneficial con sequences can arise from a law which renders it impossible for any person, except by his own choice, to die from insufficiency of food That in England at least this supposition can be realized, is proved by the experience of a long period preceding the close of the last century, as well as by that of many highly pauperized districts in more recent times, which have been dispau perized by adopting strict rules of poorlaw administration, to the great and permanent benefit of the whole la-There is probably no bouring class country in which, by varying the means suitably to the character of the people, a legal provision for the destitute might not be made compatible with the observance of the conditions necessary to its being innocuous

Subject to these conditions, I con coive it to be highly desirable, that the certainty of subsistence should be field out by law to the destitute able bodied, rather than that their relief should depend on voluntary charity in the first place, charity almost piways does too much or too little it avishes its bounty in one place, and eaves people to starve in another Secondly, since the state must necesearily provide subsistence for the criminal poor while undergoing punish ment, not to do the same for the poor who have not offended is to give a premium on crime And lastly, if the poor are left to individual charity, a vast amount of mendicity is inevitable What the state may and should abandon to private charity, is the task of distinguishing between one case of real necessity and another Private charity can give more to the more de serving The state must act by general rules It cannot undertake to discrimi nate between the deserving and the undeserving indigent. It owes no more than subsistence to the first, and can give no less to the last What is said about the injustice of a law which has I

no better treatment for the merely unfortunate poor than for the ill-con ducted, is founded on a misconception of the province of law and public au thority The dispensers of public rehef have no business to be inquisitors Guardians and overseers are not fit to be trusted to give or withhold other people's money according to their ver dict on the morality of the person so liciting it, and it would show much ignorance of the ways of mankind to suppose that such persons, even in the almost impossible case of their being qualified, will take the trouble of ascer taining and sifting the past conduct of a person in distress, so as to form a rational judgment on it Private cha rity can make these distinctions, and in bestowing its own money, is en titled to do so according to its own It should understand that judgment this is its peculiar and appropriate province, and that it is commendable or the contrary, as it exercises the function with more or less discern But the administrators of a public fund ought not to be required to do more for anybody, than that minimum which is due even to the If they are, the indulgence very speedily becomes the rule, and refusal the more or less capricious or tyrannical exception

§ 14 Another class of cases which fall within the same general principle as the case of public charity, are those in which the acts done by individuals, though intended solely for their own benefit, involve consequences extend ing indefinitely beyond them, to inte rests of the nation or of posterity, for which society in its collective capacity is alone able, and alone bound, to pro-One of these cases is that of Colonization If it is desirable, as no one will deny it to be, that the planting of colonies should be conducted, not with an exclusive view to the pri vate interests of the first founders, but with a deliberate regard to the perma nent welfare of the nations afterwards to arise from these small beginnings, such regard can only be secured by placing the enterprise, from its com

mencement, under regulations constructed with the forceight and enlarged views of philosophical legislators, and the government alone has power either to frame such regulations, or to enforce their observance

The question of government inter vention in the work of Colonization involves the future and permanent in terests of civilization itself, and far outstretches the comparatively narrow limits of purely economical considerations. But even with a view to those considerations alone, the removal of population from the overcrowded to the unoccupied parts of the earth's surface is one of those works of eminent social usefulness, which most require, and which at the same time best repay, the intervention of government

To appreciate the benefits of colonization, it should be considered in its relation, not to a single country, but to the collective economical interests of the human race The question is in general treated too exclusively as one of distribution, of relieving one labour market and supplying another. It is this, but it is also a question of production, and of the most efficient em ployment of the productive resources of the world Much has been said of the good economy of importing com modities from the place where they can be bought cheapest, while the good economy of producing them where they can be produced cheapest, is comparatively little thought of. If to carry consumable goods from the places where they are superabundant to those where they are scarce, is & good pecuniary speculation, is it not an equally good speculation to do the same thing with regard to labour and instruments? The exportation of labourers and capital from old to new countries, from a place where their productive power is less, to a place where it is greater, increases by so much the aggregate produce of the labour and capital of the world. It adds to the joint wealth of the old and the new country, what amounts in a short period to many times the mere cost of effecting the transport needs be no hesitation in affirming

that Colonization, in the present state of the world, is the best affair of business, in which the capital of an old and wealthy country can engage

It is equally obvious, however, that Colonization on a great scale can be undertaken, as an affair of business, only by the government, or by some combination of individuals in complete understanding with the government except under such very peculiar circumstances as those which succeeded the Irish famine Emigration on the voluntary principle rarely has any material influence in lightening the pressure of population in the old conn try, though as far as it goes it is doubtless a benefit to the colony Those labouring persons who voluntarily emi grate are seldom the very poor, they are small farmers with some little capital, or labourers who have saved something, and who, in removing only their own labour from the crowded labour market, withdraw from capital of the country a fund which maintained and employed more labourers than themselves Besides, this portion of the community is so limited in number, that it might be removed entirely, without making any sensible impression upon the numbers of the population, or even upon the annual increase Any considerable emigration of labour 18 only practicable, when its cost is defrayed, or at least advanced, by others than the emigrants them Who then is to advance it? Naturally, it may be said, the capitalists of the colony, who require the labour, and who intend to employ it But to this there is the obstacle, that a capitalist, after going to the expense of carrying out labourers, has no security that he shall be the person to derive any benefit from them the capitalists of the colony were to combine, and bear the expense by subscription, they would still have no se curity that the labourers, when there, would continue to work for them After working for a short time and earning a few pounds, they always, unless prevented by the government, squat on unoccupied land, and work only for themselves. The experiment has been

repeatedly tried whether it was possible to enforce contracts for labour, or the repayment of the passage money of emigrants to those who advanced it, and the trouble and expense have al ways exceeded the advantage only other resource is the voluntary contributions of parishes or individuals. to rid themselves of surplus labourers who are already, or who are likely to become, locally chargeable on the poor-Were this speculation to become general, it might produce a sufficient amount of emigration to clear off the existing unemployed population, but not to raise the wages of the em ployed and the same thing would re quire to be done over again in less than

another generation One of the principal reasons why Colonization should be a national un dertaking, is that in this manner alone. save in highly exceptional cases, can emigration be self-supporting exportation of capital and labour to a new country being, as before observed, one of the best of all affairs of business, it is absurd that it should not, like other affairs of business, repay its own expenses Of the great addition which it makes to the produce of the world, there can be no reason why a sufficient portion should not be intercepted, and employed in reimbursing the outlay incurred in effecting it. For reasons already given, no individual, or body of individuals, can reimburse them selves for the expense, the government, however, can. It can take from the annual increase of wealth, caused by the emigration, the fraction which suffices to repay with interest what the emigration has cost The expenses of emigration to a colony ought to be borne by the colony, and this, in general, is only possible when they are borne by the colonial government

of the modes in which a fund for the support of colonization can be raised in the colony, none is comparable in adjusting to that which was first suggested, and has since been so ably and perseveringly advocated, by Mr Wakefield the plan of putting a price on all anoccupied land, and devoting the proceeds to emigration. The unfounded in the distribution of the Makefield principle, the Swan River settlement, being one of the most characteristic instances. In all subsequent colonization, the Wakefield principle.

and pedantic objections to this plan have been answered in a former part of this chapter we have now to speak of its advantages First, it avoids the difficulties and discontents incident to raising a large annual amount by taxa tion, a thing which it is almost useless to attempt with a scattered population of settlers in the wilderness, who, as experience proves, can seldom be com pelled to pay direct taxes, except at a cost exceeding their amount, while in an infant community indirect taxation soon reaches its limit The sale of lands is thus by far the easiest mode of raising the requisite funds. But it has other and still greater recommenda It is a beneficial check upon the tendency of a population of colonists to adopt the tastes and inclina tions of savage life, and to disperse so widely as to lose all the advantages of commerce, of markets, of separation of employments, and combination of la By making it necessary for those who emigrate at the expense of the fund, to earn a considerable sum before they can become landed proprietors, it keeps up a perpetual succession of labourers for hire, who in every country are a most important auxiliary even to peasant proprietors and by diminishing the eagerness of agricultural speculators to add to their domain, it keeps the settlers within reach of each other for purposes of cooperation, arranges a numerous body of them within easy distance of each centre of foreign commerce and non agricultural industry, and ensures the formation and rapid growth of towns and town products This concentra tion, compared with the dispersion which uniformly occurs when unoccu pied land can be had for nothing, greatly accelerates the attainment of prosperity, and enlarges the fund which may be drawn upon for further emigra tion Before the adoption of the Wake field system, the early years of all new colonies were full of hardship and diffi culty the last colony founded on the old principle, the Swan River settlement, being one of the most charac teristic instances. In all subsequent

has been acted upon, though imperfectly, a part only of the proceeds of the sale of land being devoted to emigration yet wherever it has been in troduced at all, as in South Australia, Victoria, and New Zealand, the restraint put upon the dispersion of the settlers, and the influx of capital caused by the assurance of being able to obtain hired labour, has, in spite of many difficulties and much mismanagement, produced a suddenness and rapidity of prosperity more like fable than reality.

The self-supporting system of co louization, once established, would in crease in efficiency every year, its effect would tend to increase in geometrical progression for since every able bodied emigrant, until the country is fully peopled, adds in a very short time to its wealth, over and above his own consumption, as much as would defray the expense of bringing out another emigrant, it follows that the greater the number already sent, the greater number might continue to be sent, each emigrant laying the founda tion of a succession of other emigrants at short intervals without fresh ex pense, until the colony is filled up would therefore be worth while, to the mother country, to accelerate the early stages of this progression, by loans to the colonies for the purpose of emigra tion, repayable from the fund formed by the sales of land. In thus ad vancing the means of accomplishing a large immediate emigration, it would be investing that amount of capital in the mode, of all others, most beneficial to the colony, and the labour and savings of these emigrants would hasten the period at which a large

sum would be available from sales of land. It would be necessary, in order not to overstock the labour market, to act in concert with the persons disposed to remove their own capital to the colony. The knowledge that a large amount of lired labour would be available, in so productive a field of employment, would ensure a large emigration of capital from a country, like England, of low profits and rapid accumulation and it would only be no cessary not to send out a greater number of labourers at one time, than this capital could absorb and employ at high wages.

Inasmuch as, on this system, any given amount of expenditure, once in curred, would provide not merely a single emigration, but a perpetually flowing stream of emigrants, which would increase in breadth and depth as it flowed on, this mode of relieving overpopulation has a recommendation, not possessed by any other plan ever proposed for making head against the consequences of increase without re straining the increase itself there is an element of indefiniteness in it, no one can perfectly foresee how far its influence, as a vent for surplus popu lation, might possibly reach hence the strongest obligation on the government of a country like our own, with a crowded population, and unoccupied continents under its command, to build, as it were, and keep open, a bridge from the mother country to those continents, by establishing the self supporting system of colonization on such a scale, that as great an amount of emigration as the colonies can at the time accommodate, may at all times be able to take place without cost to the emigrants themselves

The importance of these considerations, as regards the British islands, has been of late considerably diminished by the unparalleled amount of spontaneous emigration from Ireland, an emigration not solely of small farmers, but of the poorest class of agricultural labourers, and which is at once voluntary and self-supporting, the succession of emigrants being kept up by funds contributed from the earnings

^{*} The objections which have been made, with so much virulence, in some of these colones, to the Walcheld system, apply, in so far as they have any salidity, not to the principle, but to some provisions which are no part of the system, and have been most unnecessarily and improperly engrafted on it, such as the offering only a limited quantity of land for sale, and that by auction, and in lots of not less than 640 acres, instead of selling all land which is asked for, and allowing to the buyer unlimited freedom of choice, both as to quantity and situation, at a fixed price

of their relatives and connexious who had gone before To this has been added a large amount of voluntary emigration to the seats of the gold discoveries, which has partly supplied the nants of our most distant colonies, where, both for local and national in terests, it was most of all required But the stream of both these emigra tions has already considerably slack ened, and though that from Ireland has since partially revived, it is not certain that the aid of government in a sys tematic form, and on the self-sup porting principle, will not again be come necessary to keep the communi-cation open between the hands needing work in England, and the work which needs liands elsowhere

\$ 15 The same principle which points out colonization, and the relief to the indigent, as eases to which the principal objection to government in terference does not apply, extends also to a variety of cases, in which important public services are to be per formed, while yet there is no individual specially interested in perform ing them, nor would any adequate remuneration naturally or spontane ously attend their performance for instance a voyage of geographical or scientific exploration The infor mation sought may be of great public value, yet no individual would derive any benefit from it which would repay the expense of fitting out the expedition, and there is no mode of intercepting the benefit on its way to those who profit by it, in order to levy a toll for the remuneration of its authors Such voyages are, or might be, under taken by private subscription, but this is a rare and precarious resource stances are more frequent in which the expense has been borne by public com panies or philanthropic associations, but in general such enterprises have been conducted at the expense of go vernment, which is thus enabled to en trust them to the persons in its judg ment best qualified for the task Again, it is a proper office of govern ment to build and maintain light houses, establish buoys, &c., for the

security of navigation for since it is impossible that the ships at sea which are benefited by a lighthouse, should be made to pay a tell on the occasion of its use, no one would build lighthouses from motives of personal inte rest, unless indemnified and rewarded from a compulsory levy made by the There are many scientific researches, of great value to a nation and to mankind, requiring assiduous devotion of time and labour, and not unfrequently great expense, by persona who can obtain a high price for their services in other ways If the govern ment had no power to grant indemnity, for expense, and remuneration for time and labour thus employed, such re scarches could only be undertaken by the very few persons who, with an independent fortune, unito technical knowledge, laborious habits, and either great public spirit, or an ardent desire of scientific celebrity

Connected with this subject is the question of providing, by means of endowments or salaries, for the mainte nance of what has been called a learned_class The cultivation -of speculative knowledge, though one of the most useful of all employments, is a service rendered to a community collectively, not individually, and one consequently for which it is, prima facie, reasonable that the community collectively should pay, since it gives no claim on any individual for a pecuniary remuneration, and unless a prevision is made for such services from some public fund, there is not only no encouragement to them, but there is as much discouragement as is implied in the impossibility of gaining a living by such pursuits, and the necessity consequently imposed on most of those who would be capable of them, to employ the greatest part of their time in gaining a subsistence The evil, however, is greater in appearance than in reality. The greatest things, it has been said, have generally been done by those who had the least time at their disposal, and the occupation of f some hours every day in a routine employment, has often been found com patible with the most brilliant achievements in literature and philosophy Yet there are investigations and experiments which require not only a long but a continuous devotion of time and attention there are also occupa tions which so engross and fatigue the mental faculties, as to be inconsistent with any vigorous employment of them upon other subjects, even in It 18 highly deintervals of leisure sirable, therefore, that there should be a mode of ensuring to the public the services of scientific discoverers, and perhaps of some other classes of savans, by affording them the means of support consistently with devoting a sufficient portion of time to their peculiar pursuits The fellowships of the Uni versities are an institution excellently adapted for such a purpose, but are hardly ever applied to it, being be stowed, at the best, as a reward for past proficiency, in committing to memory what has been done by others. and not as the salary of future labours in the advancement of knowledge some countries, Academies of science, antiquities, history, &c, have been formed, with emoluments annexed The most effectual plan, and at the same time the least liable to abuse, seems to be that of conferring Professorships, with duties of instruction attached to them The occupation of teaching a branch of knowledge, at least in its higher departments, is a help rather than an impediment to the systematic cultivation of the subject itself The duties of a professorship almost rivays leave much time for original researches, and the greatest advances which have been made in the various sciences, both moral and physical, here originated with those who were public teachers of them, from Plate and Aristotle to the great names of the Scotch, French, and German Universities I do not men tion the English, because, until very lately, their professorships have been. as is well known, little more than In the case, too, of a lecnommal turer in a great institution of educa tion, the public at large has the means of judging, if not the quality of the teaching, at least the talents and in

dustry of the teacher, and it is more difficult to misemploy the power of appointment to such an office, than to job in pensions and salaries to persons not so directly before the public eye

It may be said generally, that any thing which it is desirable should be done for the general interests of man kind or of future generations, or for the present interests of those members of the community who require external aid, but which is not of a nature to rel munerate individuals or associations for undertaking it, is in itself a suitable thing to be undertaken by govern ment though, before making the work their own, governments ought always to consider if there be any rational probability of its being done on what is called the voluntary principle, and if so, whether it is likely to be done in a better or more effectual manner by government agency, than by the zeal and liberality of individuals

The preceding heads com prise, to the best of my judgment, the whole of the exceptions to the practical maxim, that the business of society can be best performed by private and voluntary agency It 18, however, necessary to add, that the intervention of government cannot always practically stop short at the limit which defines the cases intrinsically suitable for In the particular circumstances of a given age or nation, there is scarcely anything, really important to the gene ral interest, which it may not be desirable, or even necessary, that the government should take upon itself not because private individuals cannot effectually perform it, but because they will not. At some times and place there will be no roads, docks, harbours canals, works of irrigation, hospitals schools, colleges, printing presses, un less the government establishes them the public being either too poor t command the necessary resources, c too little advanced in intelligence t appreciate the ends, or not sufficiently practised in joint action to be capab This is true, more of the means less, of all countries inured to desp tism, and particularly of those in which

there is a very wide distance in civili ration between the people and the government as in those which have been conquered and are retained in subjection by a more energetic and more cultivated people In many parts of the world, the people can do nothing for themselves which requires large means and combined action, all such things are left undone, unless done by the state In these cases, the mode in which the government can most surely demonstrate the sincerity with which it intends the greatest good of its subjects, is by doing the things which are made incumbent on it by the helplessness of the public, in such a manner as shall tend not to increase and perpetuate but to correct that helpless-A good government will give all its aid in such a shape, as to encourage and nurture any rudiments it may find of a spirit of individual exertion will be assiduous in removing obstacles and discouragements to voluntary en terprise, and in giving whatever facilities and whatever direction and guid ance may be necessary its pecuniary means will be applied, when practicable, in aid of private efforts rather than in supersession of them, and it will call into play its machinery of rewards and honours to elicit such efforts

Government aid, when given merely in default of private enterprise, should be so given as to be as far as possible a course of education for the people in the art of accomplishing great objects by individual energy and volun tary co-operation

I have not thought it necessary here to insist on that part of the functions of government which all admit to be indispensable, the function of prohibiting and punishing such conduct on the part of individuals in the exercise off their freedom, as is clearly injurious to other persons, whether the case be one of force, fraud, or negligence Even in the best state which society has yet reached, it is lamentable to think how great a proportion of all the efforts and talents in the world are employed in merely neutralizing one another It is the proper end of government to reduce this wretched waste to the smallest possible amount, by taking such mea sures as shall cause the energies now spent by mankind in injuring one, another, or in protecting themselves against injury, to be turned to the legitimate employment of the human faculties, that of compelling the powers of nature to be more and more subservient to physical and moral good.

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